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11 July 1984

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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11 July 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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POTENTIAL, GOALS OF FERROUS METALLURGY IN CEMA DISCUSSED

East Berlin AW AUSSENWIRTSCHAFT in German Vol 12 No 21, 23 May 84 p 28

[Unsigned article: "Black (Ferrous) Metallurgy: Development in CEMA Countries"]

[Text] The CEMA countries and their council authorities are constantly attentive to improving ferrous metallurgy, including scientific research, geological surveys, equipment deliveries and the provision of scarce raw materials and fuels.

Altogether, the CEMA partners have sufficient raw materials containing iron but their deposits are unevenly distributed. They are found mainly on the territory of the USSR and thus the USSR covers about 70 percent of this import requirement of CEMA countries. The volume of these Soviet deliveries increased by a factor of 3.1 from 1960 to 1980 and they amounted to 45.6 million tons in 1980. Joint efforts are being undertaken to continue to expand these deliveries in the future. Examples are the planned bilateral and multilateral operations in the USSR for the extraction and enrichment of raw materials that contain iron ore.

The ferrous metallurgy of the CEMA partners is undergoing dynamic development. Its growth is particularly pronounced in those countries that had a low level of production in the past. Thus there was a lessening of the discrepancy between production and consumption per capita and simultaneously there was an increase in the share of CEMA countries in world output of ferrous metals, going from 18.7 percent in 1950 to 24.9 percent in 1960, 26.2 percent in 1970 and 29.2 percent in 1980. In 1982, per capita steel output in CEMA countries averaged about 519 kg compared to the worldwide average of 136 kg, surpassing many industrialized capitalist countries as well, including the EEC countries (412 kg).

Focus on Intensification

Now that the period of extensive production growth of ferrous metals in the European CEMA countries is over, the main problems in the economic sector are those of intensification, improving the quality of the metals, reducing metals-intensiveness, etc. Also needed are larger material and financial expenditures for geological surveys and exploitation work and for transporting the raw materials under often unfavorable geographic and

geological conditions. Ecological factors and not least the securing of the fuel or energy potential for the economic sector must likewise be considered. Finally, also influential are the effects of the discriminatory trade policy of the United States and its allies against the socialist countries.

The central problem for ferrous metallurgy in the CEMA countries is that of reducing the expenditure of raw materials, energy and fuel per unit of production, as well as the even better and complete utilization of metallurgical installations, reduction in the labor-intensiveness of production, improved quality and the creation of new products (expansion of the assortment of rolled material and products from ferrous metals) in accordance with the trends in technical progress.

In regard to reducing materials and energy intensiveness, the CEMA partners have already achieved remarkable results. For example, the consumption of metallurgical coke per ton of pig iron produced was reduced to 522 kg by 1980. But there are still substantial differences in the levels among individual CEMA countries. If one puts the 1981 consumption of metallurgical coke per ton of pig iron in the USSR at 100, then this consumption was 141 in Bulgaria, 131 in Hungary, 119 in Poland and 102 in the CSSR. In 1981, the consumption of electric energy to produce 1 ton of rolled material from ferrous metals (USSR-100) was 142 in Bulgaria, 120 in Hungary, 138 in Poland and 128 in the CSSR.

In recent years, there has been an increase in capacity utilization of metallurgical equipment. By 1981, the requirement for blast-furnace volume in the USSR had fallen to 0.57 cubic meters per ton compared to 0.98 cubic meters per ton in 1950. It was 0.85 in Hungary, 0.83 in Bulgaria, 0.69 in Poland and 0.59 cubic meters in the CSSR. Average daily steel output per square meter surface area in Siemens open-hearth furnaces was 4.3 tons in Bulgaria, 6.15 tons in Poland, 9.22 tons in the USSR, 10.35 tons in Hungary and 12.76 tons in the CSSR. An analogous trend is also seen in the development of labor productivity in the ferrous metallurgy of the fraternal countries.

#### Quality Becoming the Central Question

Quality improvement and the development of a progressive structure of production and consumption of ferrous metals are coming more and more to the fore. Today it is a matter of which ferrous metals will be produced, how much machinery and equipment is needed to produce these metals and what growth in national income will be attained through this metal use.

For this reason, the party and state leadership of the CEMA countries are paying a great deal of attention to these aspects. Thus it is planned that by 1985 in the USSR, the production of cold-rolled metal sheets, heat-treated rolled material from low-alloy steel, laminated sheet metal, cold-rolled strip steel, sectional rolled material, etc., will be increased to 1.5 to 2.5 times the 1980 level.

Of general importance for all CEMA countries is the assortment of rolled material, that is, the increase in the proportion of rolled sheet metals, products with thermal processing, plastic and aluminum lamination and other products with improved technical characteristics. In this connection, the further intensification of scientific and technical cooperation is also indispensable not only to improve the quality of the metals produced but also to avoid redundant developments, to coordinate the production structure even better and to create optimum capacities.

The point of departure for such measures is technical progress in the consumer branches, which puts greater demands on the quality of all products of ferrous metallurgy as a whole, including special profiles and type dimensions. One should proceed from the assumption that it is possible for the CEMA countries to meet their national requirements for an assortment of ferrous metals through production specialization and an expanded exchange of products. International investigations show that in many countries this exchange amounts to about 50 percent of the production of ferrous metals and in some countries it is even 70 to 80 percent.

An increase in the number of steel grades and types as well as profiles of rolled material forces the concentration of production and the installation of highly productive facilities. At the same time, it also results in reduced efficiency and intensity of metallurgical production. A contradiction develops between the demands on producers to expand their assortment on the one hand and growth and the narrow specialization of the installations on the other.

This contradiction can be solved under socialist production conditions through the intensification of international specialization and cooperation, the elimination of unjustified parallel productions in the assortment and through an increase in the mutual supplementation of the national metallurgical complexes for the purpose of covering not only consumption of raw materials and fuels but also of various types and sorts of products of ferrous metallurgy.

9746

CSO: 2300/500

## EXCESSIVE USE OF FOREIGN FREIGHTERS CRITICIZED

Tirana ZERI I POPULLIT in Albanian 5 Apr 84 p 2

[Article by Mitro Cela: "The Ship Corridors That 'Absorb' Hard Currency" dealing with the delaying of a proposal]

[Text] Freighters, loaded with phosphorites, arrive in Durres from North African ports. After unloading, these freighters return for the same mineral without being loaded. At the same time, leased freighters enter our port, are loaded with cement and sail for the same trip. What is this? Is it a paradox? No. This is a normal scene which was often repeated last year and which was also repeated during this three month period. If we are allowed to call this happening a fable, then, economically speaking, its morality assumes this nuance: because that last year 100,000 tons of cement were not transported by our merchant ships, but by leased ships, the State Treasury had an excess of expenditures of about 3,900,000 leks of hard currency. (The loss resulting from the trips of the ships without load is not calculated here.) Can these losses be eliminated? First of all, let us give some of the most necessary explanations.

In the terminology of transportation by sea, goods and relevant ships are classified in two groups: the large goods requiring transport freighters without corridors and the various other goods requiring freighters with corridors. Without entering into technical details, it is important to stress that the contemporary technology gives priority to the first group. This is connected with the superiorities that mass transportation creates in the introduction of mechanisms, in the reduction of manpower, in the rapid processing of products and in the possibility for the execution of reproduction. But, how does this matter stand in regard to our merchant sea fleet? While large goods occupy 79.4 percent and 63.3 percent in the structure of goods for export and import respectively, all our ships have corridors. This is the origin, of the proposition made by the workers of Transshqip. Here is the opinion of Gjonlek Zeneli, director of Transshqip.

--The corridors can be removed from the ships within a short period, with minimal expenditures and without affecting their construction. We presented our proposal and its appropriate study on the economic advantages and the quantity of goods needed for export and import to the Ministry of Foreign Trade and the Ministry of Communications some months ago. However, we are still awaiting their response.



Is this delay linked with objective reasons? If it is so, then, it is understandable that, first of all, these reasons be sought at the shipyard. In this regard, let us interview Agron Fishta, the shipyard's director.

--The removal of corridors from the ships is, technically, a simple matter. Thus, according to the calculations of specialists at the shipyard, the modification of the ships "Liria" and "Partizan" requires one month's work and 200,000 leks for each ship.

We also spoke with some workers at the Ministry of Communications. They, too, consider this proposal to be advantageous in general. However, they raise an issue and make a counterproposal. Let us analyze them one by one. The issue is that "in order for us to decide about putting the ship in the shipyard, the Ministry of Foreign Trade must send us officially the goods which should be imported and exported by these ships." But, who is in need of these official papers when the proposition is based on concrete study about these goods, that is, cement for export, phosphorites and iron ores for import? After this, another "loophole" was requested: How many years of guaranty do we have for these goods? The answer is to be found in the structure of the import and export of large goods (see the beginning of the article) and in the further improvements to be made in their structure in the future.

The counterproposal is that we will remove the corridors when the time comes for the repair of our ships; thus, we follow one road and do two things. Therefore, the economic advantage also increases. Of course, if you see the issue from the viewpoint of narrow interests, this is the way to act. However, if you calculate the work according to the general interest, every day of delay means that the corridors would "absorb" hard currency and the sweat and labor of the people.

What about the Ministry of Foreign Trade? The proposal was evaluated. Initially, the ministry also took the issue to the Ministry of Communications. But, for the final decision on the proposal, as the people say, the ministry did not "exert the proper pressure." And, as one government department withdraws, the other does not properly press the matter; thus, the proposition remains only on paper, while the dues are paid by the economy. Bureaucracy also enters in with its requirements for paper work, although the two government departments and Transship are within the same city. Consequently, enthusiasm drops, issues become indifferent and their solution becomes a routine. This means to proceed according to the conception: "The work has been done by using leased ships. Of course, there are excesses of expenditures; but, why should we bother ourselves. Therefore, let us go along today as we did yesterday."

This conception in regard to the implementation of proposals has two bad effects. First, the economy does not profit from the implementation of proposals; second, on these occasions, the creative thoughts of workers for other suggestions are restrained because of the opinion that these suggestions finally end up in the files. Therefore, the party demands that in regard to studies, suggestions and innovations, which are advantageous to our economy, the responsible organs at the grassroots and in the center must be operative and work with initiative and imagination in order to implement them as soon as possible.

PETKOV OUTLINES PROBLEMS IN AGRICULTURE AT NATIONAL ASSEMBLY

Sofia KOOPERATIVNO SELO in Bulgarian 30 May 84 p 2

[NAPS Central Committee Chairman Aleksandur Petkov reports on the Draft Decree for Changes and Additions to the Law on the Protection of Agricultural Property. Following is a summary of the report.]

[Text] The great majority of our people feel highly responsible for the protection of our agricultural property. However, we are confronted with numerous violations which not only influence the final economic results adversely, but also have a negative social impact on work collectives and on individuals.

This erodes the conscientiousness of the people, and those with decreased awareness have decided that they can solve their nutritional problems and increase their private income by means incompatible with the socialist way of life and at the expense of the work collectives. The careless attitude of some officials as well as transport, construction and trade organizations serving the agricultural economy violates the interests of the agricultural economy and, by extension, the economy in general.

In recent years, violations and criminality in the agricultural economy have stabilized after reaching a relatively high level. This stability is demonstrated by the following phenomena:

--Not all of the agricultural production is harvested, and large amounts are squandered along the way, beginning with the harvest and ending with its final processing.

--Insignificant violations and damage to agricultural property perpetrated by citizens, agricultural workers, brigade foremen and others have not decreased. This is particularly true for valuable and rare products. People steal products, hand tools, packing material and so on in every way possible, including by the unauthorized use of vehicles.

--Farmland continues to be the object of illegal seizure.

--Illegal activities that benefit private plots and other needs of individual citizens and which are committed at the expense of the agricultural organizations and work collectives have not decreased.

These facts forced NAPS, the prosecutor's office, and the Ministry of the Interior to conduct a study of the causes of the persistence of violations and criminality in the agricultural economy.

In recent years there have been considerable changes in the management of the agricultural economy and the socioeconomic life of the Bulgarian village. The higher level of maturity attained by the socialist agricultural economy, the implementation of the economic approach, the new brigade organizations and the concept of owner and master of socialist property developed by Comrade Todor Zhivkov at the 12th Congress demand that the position and role of the work collective as the master of socialist property be strengthened.

The regulations contained in the decree for establishing the new setup and the management of the system for the guarding of the property take into account the management functions of the NAPS, the Ministry of Forests and Forest Industries, the okrug national councils and OAPS. The management staff of these organizations is empowered to inflict administrative punishment on all violations, including managers and officials who do not carry out their guardianship responsibilities or are careless with the property entrusted to them.

The agricultural organizations will be entrusted with the establishment and direct management of the new organization. It will include permanent and temporary field guards and officials, who are members of the work collectives. Provisions will be established for setting up sites of departmental militia of the agricultural economy as a specialized organ of the work collective. The rights of persons entrusted with the guarding of the property will be extended.

We may say that the new system of guardianship in the agricultural economy has been conceived as a comprehensive entity comprising the economic manager, specialized organization, and work collective. Each of these links has clearly defined functions and tasks related to the guardianship.

The agricultural property contained in the state forest fund and in the personal and subsidiary plots will be guarded according to the regulations contained in the decree. For this purpose the owners of the private and subsidiary plots will pay a special tax into a special account of the agricultural organizations.

The organization for guarding agricultural property covers not only the expenses connected with the guarding of the fields but also the construction and electrification of yards, farms, storehouses and so on, the supply of the field guards with weapons, technical instruments and other materials. On a national scale, these are great expenses caused by the necessity to prevent violations. This is why the decree provides that part of the fines will be paid into a special NAPS account for distribution to the agricultural organizations which will use them to finance part of the guarding expenses.

The introduction of administrative-punitive responsibility for officials of the agricultural organizations and for the local community councils guilty of a careless attitude toward farmlands and other agricultural property is an important part of the new system.



The establishment of administrative-punitive committees dealing with the relations between work collectives or with illegal actions involving private plots is an important addition to the decree.

The responsibilities involving matters of seized land are defined in a new way. If the seized land is not returned after the first light punishment, stiff fines will be imposed on the violators.

Persons who fail to safeguard the land entrusted to them or to have it confiscated from the violators will be held strictly responsible. The decree provides for mandatory transfer of such cases to the prosecutor's office which will bring action under the penal code, should lands continue to be held back.

The decree provides for the confiscation of illegally occupied lands, means of transportation, objects, animals and other materials used in committing petty thefts.

Because many of the petty thefts are committed in connection with private plots, the decree provides for the possibility of expropriating land use for private purposes.

If administrative punishment and other measures fail to influence the violators, and if the violations are repeated, the agricultural organizations and the local community councils are required to take the necessary measures to initiate action under the penal code.

The additions to and the amendments of the decree for safeguarding agricultural property create an effective legal barrier for the defense of this property.

I am convinced that the adoption of the draft decree on changes and additions to the decree on safeguarding agricultural property will contribute to the further development and improvement of the socialist organization of the Bulgarian village and, above all, to a correct approach to the sacred socialist property of the agricultural economy.

12635

CSO: 2200/134

GREATER ENERGY SAVINGS URGED

Prague HOSPODARSKE NOVINY in Czech 18 May 84 p 7

[Article by Antonin Musil, Sigma Slatina, Brno: "Turning Out the Lights Is Not Enough"]

[Text] Systematic increases in the prices of fuels and energy are forcing us to be better managers, which must be reflected in reduced enterprise costs. In our enterprise this is a matter of large amounts, because we have electric arc and medium frequency smelting furnaces for steel which account for 60 percent of our total electric power consumption. We have directed most of our attention to this area when implementing efficiency measures.

All suggestions for saving fuel and energy, whether they come from individual workers or from inspection commissions, are discussed and utilized as fully as possible. Suggestions which cannot be used immediately are moved to a file for losses that can be eliminated, and will be implemented gradually as opportunities arise (costs, investment, delivery schedules, etc.) during the current and upcoming 5-year plans. So far the suggestions included in this file would save 117 terajoules.

On the whole, current suggestions and efficiency measures may be considered as a higher level of rationalization. In previous years, when we did not have to conserve as much as we do now, savings resulted from the simplest, easiest and least expensively implemented efficiency measures, such as the replacement of incandescent bulbs with fluorescent lamps, the insulation of heat distribution lines and gaskets, the cleaning of windows and transoms, the regulation of heat, and the timely turning off of lights and machinery. At present these are still necessary, of course, but similar actions reach a point of diminishing returns, with the achieved savings getting smaller and smaller. Gradually suggestions came to be submitted that require fairly expensive investment.

Recently, and in 1983, we have achieved significant relative savings at our enterprise per ton of produced metal at all the electric smelting furnaces. A few years ago consumption by a 5-ton arc furnace of 700 kilowatt hours of electricity per ton of produced metal would have seemed infeasible,

because as recently as 1977 this consumption amounted to 818 kilowatt hours.

At present, 642 kilowatt hours is consumed per ton of produced metal. Overall we have reduced the average electricity consumption per ton of produced metal for all furnaces to 703 kilowatt hours in 1983, as compared with 826 hours in 1977. We achieved these results primarily through excellent cooperation from the employees of the smelting plant, the metallurgical department, the maintenance staff and the management of the enterprise.

Moreover, we have adopted and are implementing a number of measures including furnace maintenance, blowing oxygen into the furnace accelerating oxidation, optimizing the operation of the electrical smelting furnaces, preheating charges, improved equipment use and competition between the smelters to reduce electricity consumption per ton of cast metal. These measures are permitting us to tighten up the norms for electrical energy consumption per unit of produced steel by at least 2 percent. Last year electric energy savings for the smelting furnaces were 10 terajoules.

In 1983 we achieved significant natural gas savings for annealing furnaces on which the technical department installed new insulation consisting of resistex panels. These savings amounted to 5 terajoules annually. Additional savings were realized by reducing modeling material consumption in foundries, by installing semiconductor welders, installing electrical compressor regulators, and through other small measures. Total savings for 1983 amounted to 39 terajoules, while the plan projected 35 terajoules.

Assuring further savings (35 terajoules this year, which is about 4 percent of the total consumption of the enterprise) will be possible only by giving priority to the implementation of stricter measures, even at the expense of other projects. At present, for instance, we are working on the utilization of waste heat from compressors and possibilities for using the waste heat from the rebuilt Rau and Boing annealing furnace. We want to use this waste heat to heat the enterprise and to heat water for public purposes.

However, for the actual reconstruction it is necessary first of all to work up all the necessary documentation, to order and obtain materials and equipment, arrange for materials for the entire project and, finally, obtain a contractor. This is a job, however, that no contractor will undertake because it is a complicated, demanding, but small job. So everything will remain to be resolved by the enterprise employees, who often do not know what to do first and often do not even have the requisite knowledge.

We also have the task of developing technically documented standards for air consumption for large consumers and foundry operations and for heat consumption in individual operations. This, however, may be undertaken only if the enterprises in question can be outfitted with measuring instruments, which we for the most part are lacking. We have sent a preliminary order to several machinery and equipment plants requesting the development of technical documentation and quotes for delivery and assembly. So far we have received only negative answers. For instance, the machinery and equipment plant-contracting organization in Prague informed us that our project

does not have the recognized importance of a priority project of the state plan and that therefore we could not plan on it being acted upon even after 1985.

Electronics must make the greatest contributions to energy conservation. For several years now we have been operating two modern, fully automated 2-ton medium frequency electric smelting furnaces manufactured by AEG, which replaced obsolete rotating furnaces. Currently an additional 2-ton thyristor electric smelting furnace is being developed by the Prague ZEZ enterprise.

We also have a number of other pieces of electronic equipment that are used in power generation. We do not, however, have qualified employees for them. To the extent that it is even somewhat possible we arrange for our maintenance men to study at technical schools with the appropriate areas of specialization. But professional secondary school qualifications are no longer sufficient, meaning that college-educated individuals, carefully chosen, must assume positions related to the maintenance and repair of such sophisticated equipment.

College graduates, however, are hardly likely to go to work as maintenance men and, moreover, the power generation sector is not getting any more technical-managerial employees included in its plan projections. On the contrary, at present a reduction is being implemented at our enterprise in the number of employees in the power generation division from 10 to 6 based on Federal Ministry of Metallurgy and Heavy Engineering guidelines. The knowledge of trained experts will not be adequate for this new equipment, meaning that the relatively large investment made in new equipment will have its desired impact, in the form of reliable operation and promised savings of fuel and energy, only with difficulty. The intensive use of microelectronics will not be possible without personnel with the requisite qualifications.

9276

CSO: 2400/333

CSR DEPUTY PREMIER COMMENTS ON R&D, ENVIRONMENTAL PROTECTION

Prague HOSPODARSKE NOVINY in Czech 25 May 84 pp 1, 4

[Article by Eng Frantisek Sramek, deputy premier of the CSR Government and chairman of the Czech Commission for Research, Development and Investment Planning: "Research and Development Planning in the North Bohemia Kraj"]

[Text] From the economic standpoint the importance of the North Bohemia Kraj is enormous for our republic. In 1982 its contribution to the CSR's economic potential was 47 percent in the fuel industry, 75.5 percent in the extraction of brown coal, 37.3 percent in the energy industry, 49 percent in the production of electrical energy, 58.6 percent of glass and ceramic production, 27.5 percent of paper and cellulose, 25 percent of the textile industry, etc. There is great capacity for energy, chemicals, textiles, glass and foodstuffs located here.

Good Results Are Obligatory

In past years, how were the important research and development tasks, which contribute to production capacity development in these fields, carried out in the state research and development plan?

Positive examples include the following:

-- continual ion exchanger technology for the production of diana, which is the raw material for the production of epoxy resins in the Corporation for Chemical and Iron Works national enterprise;

-- the production of spindleless spinning machines type BD 200 in the Elitex kraj enterprise and the development of a number of advanced textile technologies;

-- the production of industrial fertilizers, particularly liquid ones both in solution and in suspension, in the North Bohemia Chemical Plants national enterprise;

-- automatic serial glass-making machines for the production of glass envelopes, all-electric melting of some glass, single-stage production of fiberglass and fiberglass insulation production.



Complex housing construction is making use of research and development in optimizing the construction materials base. Providing good insulation for the outside components of housing construction should contribute to lowering the energy consumption for heating the housing. It is planned that certain projects will be constructed with appliances which reduced consumption of materials and energy. New technology will be used in this kraj in the renovation and modernization of the housing inventory.

In the North Bohemia Kraj, agricultural production is making use of a number of results achieved in carrying out tasks of the state research and development plan in the Sixth and Seventh 5-Year Plans. Today it is already commonplace in cultivating agricultural crops and in raising domesticated animals to utilize new information on genetics and on protecting and nourishing economically important crops and animals, including support of harvesting and processing.

Research has devoted considerable attention to the reclamation and recultivation of agricultural and forest land. In 1983 there was recultivation of 440 hectares of meadows and pastures, 220 hectares of forest land, antierosion measures were taken on 120 hectares, and construction of pasture enclosures for livestock was begun on 1700 hectares. The Hops Research Institute in Zatec in the Seventh 5-Year Plan provided varieties for state testing with a potential yield of 2.2 tons per hectare with increased content of materials valuable for brewing. The Chemical Plant CSSP Litvinov kraj enterprise has important plans for the maximum utilization of crude oil by using the vacuum distillation method. There is also a progressive research task to determine the first generation of fiber optics in the joint laboratory for chemistry and silicon technology within the Czechoslovak Academy of Sciences and at the Higher Chemical and Technological School in Prague, with the Glass Union Teplice kraj enterprise to be the manufacturer.

#### Delays Bring Losses

Despite these positive results, however, it must be said that the application of research and development even in this kraj has not yet responded to the opportunities or even the needs of its economy. The deficiencies primarily are caused by the long-term return on investments. Therefore, much of the production, and even the non-production, inventory is at this time put into operation, even though it is recognizably obsolete from a technical standpoint.

The effectiveness of research and development results are reduced by not achieving the construction design parameters and by delays in putting the production investments into operation. In this connection I would like to mention the report issued by the CSR Government on meeting the design parameters at selected production construction projects (in the category of key tasks and centrally directed construction projects). At nine important construction projects in the North Bohemia Kraj with target completion dates of 1976 to 1981, the average overrun on construction time was 14.6 percent. This includes, for example, the Connex Retnice refinery, further stages of the Písečnice construction project (the second building), Drinov II (the fifth

building), building a weir in Klasterec nad Ohri and three construction projects for the Kraj National Committee: building their own school in Most, an okres office in Velebudnice and a polyclinic in Roudnice nad Labem. At these last three projects the overrun in construction time was 25.2 percent higher than the average in the CSR. An exceptionally large construction time overrun took place in building the polyclinic in Roudnice nad Labem (53.6 percent).

The complex application of the program for resolving problems in the North Bohemia Kraj to date has not produced satisfactory results, especially in furnishings and appliances and in securing the required proportion between the development of the production and non-production spheres. In the North Bohemia Kraj it is primarily necessary to achieve shorter construction times, especially in the non-production sphere, so that the operation of these construction projects can sooner provide people with the required services. The longer construction periods unfavorably influence the fulfillment of the plan for the final evaluation of construction projects. In 1982, fulfillment of that plan in the North Bohemia Kraj was one of the lowest for national committees in all categories of construction.

In discussions of the North Bohemia Kraj national committee in February it was very clearly shown that failure to meet the deadlines for putting production capacity into operation and not achieving the planned production start-up curves are substantially torpedoing progress in research and development. This is true because each of these investments involves the application of certain innovations, regardless of their level. In practice it is not possible to make any production investment which would incorporate technical obsolescence. Deeper consideration would show that this statement is also true for a number of non-production investments. I would like to point out that at the Eighth Plenum of the CPCZ Central Committee progress in research and development was oriented toward 10 basic areas, as well as toward health and welfare and the protection and improvement of the environment. From the scientific standpoint, investments serving these goals are not technically obsolete. In other words, if we are talking about reserves in harnessing progress in research and development to the national economic plan, then one must know how to apply it uncompromisingly in those areas.

Currently, submissions are being worked up for establishing the development plans for the next period. In the North Bohemia Kraj, attention is being focused particularly on carrying through important tasks. First of all, we must continue with the construction of capacity which reduces negative effects on the environment. Relatively large investment funds are required to provide heat to the apartment complexes built in the Eighth 5-Year Plan and securing conditional investments. All this will affect not only the kraj's economy, but also the people's standard of living. The planned tasks must address not only social and economic needs, but must also be follow-through tasks arising from the application of the results of progress in research and development.

#### The Prognosis for Further Development

The North Bohemia Kraj, and in particular its mining region, also receives continuous attention from the standpoint of territorial planning. Most of the

work is concentrated on dealing with problems involving the North Bohemian brown coal basin; currently and for the future this is one of the most complex areas in the Czechoslovak Socialist Republic. The current territorial plan for the North Bohemian brown coal basin, which was approved in 1977, has had changes and supplements worked up which carry it through to 1990. Today we still have to resolve the question of the extraction management for the Býlský quarries and the question of mining procedures in the foothills of the Krusné Mountains.

It was further decided that it is necessary to work out a long-range prognosis for territorial development for the entire region. This will be helped by clarification of the further development of the North Bohemian brown coal basin, particularly with regard to the possible need for maximum coal mining and the necessity of recultivating the entire mining region and also its subsequent utilization after mining operations are terminated. The Czech Planning Commission and the Czech Commission for Research, Development and Investment Planning will cooperate in carrying out this task. The outcome of the work will be a territorial prognosis worked out for the period after 1990. This prognosis will clarify both the external relationships of the North Bohemian brown coal basin and the internal relationships of its overall system; it will precede the development of a further territorial plan for the period after 1990. Currently, preliminary work for its development is being completed.

It is essential to pay attention to the North Bohemia Kraj because of the extent, but also mainly the gravity and amount, of disruption of basic environmental elements. The organs of the national committees in the kraj are developing responsible action in this area. One must value their work, as they have accomplished much that is positive to improve the environment. It suffices to mention the green program competition, health care for the inhabitants and a number of compensatory actions taken. The Environmental Commission of the Council of National Committees is most active and is trying to help both through actions which take no investment, which is particularly within its authority, and by taking significant actions which require investments.

I would like to emphasize that the CSR Government is well aware of the status of the basic environmental elements in the North Bohemia Kraj, which is not good. Environmental problems are often, especially in the basin oblasts, the limiting factor for further economic development in the oblast.

At the Eighth Plenum of the CPCZ Central Committee research on the protection and improvement of the environment was laid out as one of the 10 main areas for applying advances in research and development. The results to date of economic and social development in the North Bohemia Kraj show that industrial production growth is accompanied by worsening conditions for people's lives, especially in the okreses in the basin, and that there is an increase in air pollution, devastation of the soil, the loss or further threatening of vegetation and disruption of entire ecology of the countryside. The CSR Government is aware of the need to orient the research and development base with priority given to the environmental problems in the North Bohemia Kraj and is aware of



the need to find such ways out of the problem which would provide in practice, that is, for the investment process, the necessary basis and complex viewpoints on how to resolve the complicated ecology situation.

The great majority of the tasks which will resolve environmental problems involves questions of production and operations. We must increase and expand work by the CSR's research and development bases in resolving problems representing the greatest conflict between people's lives and the environment. In further directing research, we can use as a basis material from the North Bohemia Kraj National Committee and the Kraj Commission on the Environment, which produced 107 recommendations for resolving the most serious environmental problems with which the research and development bases should be concerned in the Eighth 5-Year Plan. These recommendations were submitted to the Czech Commission for Research, Development and Investment Planning. I consider it correct to work out a concept of environmental protection in the North Bohemia Kraj that would make it possible to find the most effective ways and means, to analyze objectively the status and development of all environmental elements in the kraj, and to establish tactics and strategy for operational management of environmental protection. These problems will be addressed by the extension agencies of the Czech Commission for Research, Development and Investment Planning and by the Research Institute for Construction and Architecture, which is also supposed to take on the role of research coordinator together with the appropriate specialized organs of the Kraj National Committee.

#### Task Coordination

People have the idea that the North Bohemia Kraj is the heart of the republic for energy. Coal mining, production of electrical energy and related activities of the fuel and energy industry make up more than 53 percent of the basic resources located in the kraj. Historical developments have resulted in a high concentration of basic production resources which require a lot of investment and a lot of energy. They amount to about 14 percent of the overall basic resources in the CSSR. Of the Czech krajs, a greater amount is concentrated in the North Moravia Kraj, but it has 66 percent more inhabitants.

This high concentration was achieved mostly in the last 15 years by very intensive investment construction. Its intensity and social importance increased in the Sixth 5-Year Plan and in the period from 1940 to 1983. At the same time, however, this development itself made it very complicated to resolve problems of the development of the overall territorial complex. This is also the reason for the establishment of the Commission of the CSSR and CSR Governments for Resolving Problems of the Development of the North Bohemia Kraj at the federal and Czech governmental levels.\* Its basic mission is to coordinate effectively the execution of tasks called for in the mid-range plans, that is, the oblast development plan for the Seventh 5-Year Plan and the annual operational plans.

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\* The author is chairman of the Commission of the CSSR and CSR Governments for Resolving Problems of the Development of the North Bohemia Kraj.

The commission is also supposed to provide operational solutions to problems connected with carrying out tasks and the further development of the North Bohemia Kraj. The commission has representation by responsible officials of all of the concerned central organs and departments; it not only takes care of operational tasks and their fulfillment, but also has the mission of creating conditions for further development.

It takes care of such important questions as, for example, the concept of further development of coal mining, which must ensure any nationwide increase in mining both in the current 5-Year Plan and in succeeding years. This includes meeting the shortfalls in mining for other, mined-out pits. The commission also concerns itself with the concept of development of the chemical industry and other branches of industry.

#### The Effectiveness of the Program

These questions also involve problems of environmental development in the North Bohemia kraj, especially in some particularly threatened areas. In connection with the overall production development, the commission will study the planning and implementation of necessary ecological construction projects, especially those which are essential for preserving air and water quality, the conservation of agricultural land, and recultivating areas for agricultural use. Currently, the governmental commission has up for discussion an evaluation of the effectiveness of the so-called green programs for improving the environment in the North Bohemia Kraj. The installation of dispersal equipment for generator gases in the Chomutov Pipe and Rail Rolling Mills and ash suppressor equipment at the Tusimice electric power plant is being accomplished.

Even with the best efforts, it is not possible to perform all tasks and solve all problems to the necessary extent and quickly enough. I have already mentioned undesirable delays in capital construction. In the North Bohemia Kraj there has already been practical recognition of the extraordinary priority given to all investment actions, including complex housing construction projects and investments affecting them, which are carried out at a so-called territorial priority.

The current situation and the problems with which the central and kraj organs are concerned demand still greater efforts at the highest possible professional level in planning and managing the investment process, with political responsibility appropriate to the scope of problems in the North Bohemia Kraj.

6285

CSO: 2400/337

## CONTINUING PROBLEMS WITH INVENTORY MANAGEMENT DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 18 May 84 p 5

[Article by Eng Vaclav Brom, Federal Ministry of Finances: "Inventories Still With a Question Mark"]

[Text] The CSSR Government adopted several measures aimed at improving the development of inventories in the Seventh 5-Year Plan. After a lapse of time the success with which some of them have been translated into reality may be assessed.

If we compare the actual development of inventories with the objectives of the plan, we must note that for several years already the level of the use of the inventories had not been satisfactory. The efficiency of the use of the inventories in our industry and construction, characterized by the indicator of the turnover of the inventories in days, is declining (see Table 1).

Table 1

Actual and Planned Development of Inventories in the Industry and Construction (in days)

<u>Period under observation</u>	<u>Planned acceleration (-) of the turnover rate</u>	<u>Actual deceleration (+) of the turnover rate</u>
1980*	-8.2	+3.5
1981	-1.8	+2.2
1982	-0.6	+0.2
1983	-3.1	-1.1***
1985**	-8.8	-

\*) in the Sixth 5-Year Plan;

\*\*) in the Seventh 5-Year Plan;

\*\*\*) in 9 months

## Sluggish Screening

Absolute and relative volumes of the screened unused inventories confirmed a considerable untapped potential accessible to our economy in inert inventories (see Table 2)

Table 2

Development and Utilization of Screened Unused Inventories in the Industry and Construction in 1982 and 1983 (in billion Kcs)

	<u>Total</u>	<u>For domestic consumption</u>	<u>For use of other enterprises</u>	<u>For depreciation and other purposes</u>
Situation of screened inventories as of				
31-12-1982	6.2	4.2	1.5	0.5
Newly screened-out inventories as of				
30-9-1983	3.9	2.7	0.8	0.4
Utilized in 1983	5.9	4.9	0.4	0.6
prior to 30 September*)	5.0	4.3	0.3	0.4
in the 4th quarter**)	0.9	0.6	0.1	0.2
Situation as of				
31-12-1983**)	4.2	2.0	1.9	0.3

\*) converted on the basis of partial results and estimates

\*\*\*) envisaged situation

The data concerning the screening process and utilization of the inventories were processed by the Czechoslovak State Bank on the basis of the data from 1982 and partial information for 1983. The screened-out unused inventories amounted in 1982 to approximately 4.2 percent of the total situation of inventories in the assessed ministries.

The bottom line of the share estimated by experts, however, is at least 5 percent. Hidden, unused inventories continue to appear in organizations in the form of unneeded stocks as well as basically superfluous inventories, and their disclosures depends on the overall quality of the screening process and on the applied methodological processes primarily in terms of criteria for adequate inventories.

Such unused resources are partly due to the fact that in certain enterprises the screening process has not been completed in the stipulated term or was made only in some groups of inventories (for instance, in the ministries of industry in the SSR and CSR). The performance of the officials of the bank

supervising prompt and thorough screening of the inventories is praiseworthy.

The assessment of the screening of the inventories conducted by the ministries as well as by the bank in 1982 confirmed that the screening of the inventories -- or their liquidation by means of stock lists submitted to brokerage firms -- failed to bring about desirable changes. Brokerage firms frequently did not fulfill their duties stemming from the decree, and often enough failed to confirm the stock list and to react within the stipulated term even after reminders, and a major part of the offered inventories were not returned through their good offices back in the process of reproduction. However, neither were the owners overly helpful in developing this form of marketing of unused inventories, as evident from the poorly filled out stock lists, the disregard for the prohibition of resale of the inventories offered for mediation, from the negligence in invoicing sales of unused resources to brokerage firms after adding surcharges for brokers' commission to bills of sale, etc.

#### Material Incentives

The ministries fulfilled CCSR Government Decision No 157/1982, which stipulates that the indicator of the development of inventories be included as of 1984 in the criteria determining the grants of annual rewards to the managers of organizations who influenced the fulfillment of that [indicator] according to job structure and responsibility.

Nevertheless, it appeared that in certain enterprises the indicators of inventories had been only mechanically transposed to the orders of bonuses, often not even to the extent stipulated by superior agencies and without their adaptation to the specific situation of the organization.

The measures adopted thus far in the area of planning and crediting of inventories proved relatively harsh; in view of the situation they may be considered necessary, appropriate and incentive, the objections of the ministries notwithstanding. Among them are mainly regulations stipulating that if the planned volume of inventories, controlled pursuant to article 7 and reduced by season inventories defined in article 8 paragraph 4 of Decree No 164/1980 of the SBIRKA, has been exceeded as of 31 December of the year under survey, then pursuant to article 9 paragraph 3 of Decree No 48/1983 of the SBIRKA, the revolving plan is supplemented above plan by the amount of the above-plan overrun of those inventories, calculated by the planned share of the revolving fund in the inventories. The revolving fund is not supplemented when the credit department of the Czechoslovak State Bank grants the organization credits to make up for the resources lacking for the distribution of profits.

If the organization fails to achieve the planned volume of controlled inventories as of 31 December of the following year, then pursuant to article 10 paragraph 2 of Decree No 48/1983 of the SBIRKA the revolving fund is correspondingly reduced, i.e., by the decrease of the above-mentioned inventories as compared with the plan, calculated by the planned share of the



revolving fund in inventories. The transfer from the revolving fund to distribution of profits is made no later than on 31 March of the following year.

#### Standard Base

Acts of various types of standardization adopted by the ministries on the basis of the Decree on Standardization of Inventories remain the fundamental regulatory acts in most ministries. Only some of the ministries (the ministries of industry and the ministries of agriculture and food of both republics) included in their regulations for 1983 additional differential specifications for the methodology of standardization of inventories and for the introduction of more appropriate practical standard-setting processes.

The need to specify thoroughly the methodological processes and to improve the applied standard-setting methods has also been confirmed by such facts as, for example, that the calculated standardized inventories in the Engineering Technology Plants VHI [economic production unit] had been Kcs 300 million higher in 1983 -- and in the Aero VHI roughly 10 percent higher -- than it appears from the plans for inventories. Some enterprises and VHI's failed to complete full specifications of their standards (for instance, the Czechoslovak Automobile Plants VHI, the Heavy Engineering Works).

Most ministries have outlined in their measures the tasks for improving the quality of the standard-setting process and the use of standards of inventories or, as the case may be, for increasing the share of individual standards of inventories, naturally without more specific concretization of the method for their implementation. Even the computer technology used in the standard-setting area has not always reached the desirable level.

In conjunction with the Set of Measures the financial and budgetary policies for 1984 are focused at intensifying the regulations adopted in 1982:

-- the financial plan for the industry and construction for 1984 has enforced a demanding rate of the turnover of inventories -- as envisaged for this year by the Seventh 5-Year Plan;

-- specification of the financial plan for the industry and construction has provided an area for the creation of inventories, primarily in sales and supply organizations, for immediate sale;

-- in order to intensify the penalties for undesirable development of inventories within the system of control of wages payable, beginning in 1984 the rate of punitive interest has been raised from the current 50 percent to 100 percent (deductible item), while the rate of the addible amount of credit rebate (50 percent) remains the same.

\* \* \*

Despite numerous measures for improving the development of inventories, there has been no long-range upturn in the situation thus far. The solution to these problems must be sought not only in the area of inventories proper

(primarily in their management), on which the major part of measures is focused, but also outside that area -- in the conditions of production and its organization, in rationalization of the consumption in production which must be projected in the tasks of the economic plans, and in gradual diminution of the intensity of the negative factors affecting the growth of inventories. The solution of those problems will become increasingly urgent because, whether we want it or not, due to the intensification of social division of labor, the pressure on the production of additional inventories will continue to grow in our national economy; greater mass production and its expanding scope will necessarily foster further growth of inventories.

9004

CSO: 2400/334

**METALLURGY AND HEAVY ENGINEERING RESULTS SUMMARIZED**

Prague HOSPODARSKE NOVINY in Czech 18 May 84 p 2

[Article by Jan Mara, CPCZ Central Committee employee]

[Text] In the first quarter of this year this ministry fulfilled the plan for the production of goods by 101 percent, which represents 25.72 percent of its entire annual target. The Metallurgical Works and Ore Mine Division fulfilled its targets by 101.5 percent, and the Heavy Engineering Division by 100.3 percent. The lowest percentage of the yearly target was produced, from among the economic production units, by the Prague factory of Ceskomoravska-Kolben-Danek [CKD].

Four enterprises did not fulfill their production plan for the first quarter; the greatest shortfall was at the Timac Slovak Power Generating Machinery Works (Kcs 21.4 million).

A total of 18 enterprises did not fulfill the gross production plan for the first quarter. On the other hand, in comparison with the same period of last year there was more than Kcs of 1 million of additional gross output.

The adjusted value added plan was fulfilled at a 102.1 percent level. In the Metallurgical Works and Ore Mines Division the volume of adjusted values added was 2.3 percent higher than in the plan, while in heavy engineering it was 1.9 percent greater. Even though all the economic production units fulfilled and overfulfilled their targets, 11 enterprises did not meet their objectives for adjusted values added. Of these, the greatest shortfalls were at Decin Ferox, Ceska Trebova Sigma, the Libcice Screw Factory and the Povrly Kovohut.

In labor productivity based on adjusted values added the Metallurgy and Heavy Engineering Ministry exceeded its planned targets by 102.4 percent (the Metallurgical Works and Ore Mine Division by 102.5 percent and the Heavy Engineering Division by 102.3 percent). The best performances with regard to these indicators were recorded by the Poprad Czechoslovak Freight Car Plant and at Chepos in Brno.

Predictions which have been formulated for the first half-year predict the fulfillment of the critical indicators. Imbalances are appearing, however,



in specific economic production units and enterprises. Shortcomings are persisting in deliveries for priority projects of the state plan. These results are being influenced mainly by Plzen Skoda, where deliveries for capital investment during the first quarter fell far short of a proportional share of the annual target. This situation arose in the start-up procedures and invoicing for completed units at the nuclear power plants in Jaslovske Bohunice and at Dukovany. The Vitkovice and Prague CKD economic production units also fell short of a proportional share of their yearly production targets, which is having a negative influence on the fulfillment of priority objectives. Objectives for export deliveries are being assured for both socialist and nonsocialist states, and predictions for the second quarter are favorable.

Domestic capital construction so far is recording a lower than proportional share of its annual objectives, which is most evident in the Czechoslovak Air Technology Plants. Their failure to fulfill targets has been primarily due to shortcomings in the final construction of the Nove Mesto nad Vahom Air Technology Plant. Likewise, in ferrous metallurgy the fulfillment of the majority of the plan will be left to the second half of the year, a situation that has resulted from construction delays at the Kladno Medium Duty Rolling Mill and the Kraluv Dvur Cold Rolling Mill.

The assurance of the objectives of the metallurgy and heavy engineering, general engineering and electronics industry ministries is of critical importance for the further development of the Czechoslovak economy. The 16th CPCZ Congress directed the engineering-metallurgical complex to assure, at a qualitatively higher level, the modernization of the production-technological base of the national economy, assure export deliveries and the smooth supplying of the domestic market. In the modernization of the production technological base alone the Metallurgy and Heavy Engineering Ministry faces formidable tasks.

The 10th CPCZ Central Committee Plenum objectively pointed out the positive aspects, but also noted the shortcomings which are accompanying the current pace of development. Underutilized capacity exists primarily in the area of material and technological supply, work organization, management, investment activity and the application of research and development.

A priority task for metallurgy and heavy engineering is to achieve a higher valuation of fuel, energy, metals and other materials. In the final 2 years it is essential to achieve a more rapid growth rate than previously, above all in areas where the use of the output is assured. At the same time it is necessary to reduce all costs and to increase efficiency. The practical implementation of research and development results is intended to increase exportability while also increasing the share of high-quality products. Since the Federal Ministry of Metallurgy and Heavy Engineering includes divisions for the extraction and processing of ore, for ferrous and non-ferrous metallurgy, and for heavy engineering, the objectives must be differentiated according to public requirements. Metallurgy will have a lower growth rate, while faster growth rates than those achieved recently must

be rendered by heavy engineering.

The resolutions of the 10th CPCZ Central Committee Plenum will be discussed at the Federal Ministry of Metallurgy and Heavy Engineering, at the general directorates of economic production units, and at enterprises. At a conference of general directors resolutions were adopted for a unified approach, and were included in the "Program Resolution for the Development of Work Initiative and Creative Activity of Work Collectives of Metallurgical and Engineering Economic Production Units to Assure the Resolutions of the 10th CPCZ Central Committee Plenum."

On the suggestion of the 10th CPCZ Central Committee Plenum, metallurgical and engineering enterprises, as well as ore and magnesite plants, are drawing up socialist commitments. Specifically, in metallurgy and heavy engineering these are aimed at the organization of a volume and requisite structure of production equivalent to the 2-day output of the ministry, on the basis of the higher valuation of all inputs. This should save 41,000 tons of ferrous and nonferrous metals, 68,900 megawatt hours of electrical energy, and 4.17 million standard hours. To improve supplier-consumer relations, 2 percent more of materials that are in short supply will be produced than provided for in the plan, without consuming additional resources. To fulfill export targets better the objective was set of shortening delivery times on selected contracts and the achievement, by utilizing internal reserves, of higher valuations and, thereby, differential indicators as well.

To consolidate the development of the fuel and energy base a reduction is projected in the consumption of electrical energy, based on public inspections and increased efficiency, amounting to at least 80 gigawatt hours of planned consumption for 1984, without restricting either the volume or mix of production. More efficient operations in domestic energy generation facilities will make it possible to generate an additional 50 gigawatt hours of electricity. Improved work organization and increased work effort should shorten the down time of generating units for repairs, thereby making possible minimal additional electricity production of 50 gigawatt hours in comparison with plan projections. These objectives also apply to the construction of nuclear power plants, including time schedules for the progress of further work. In technical and preproduction areas emphasis is being placed on savings of ferrous and nonferrous metals, as well as in labor intensiveness and costs. This should result in increased profits. The objective has also been set of achieving greater labor productivity by exceeding adjusted value added projections by at least Kcs 530 million as well as exceeding profit targets.

The objective has also been established of rationalizing the use of inventories with the goal of speeding up their turnover. The creation is planned of quick-ship inventories of metallurgical materials at the Feron national enterprise and of pumps and armatures at sales outlets of Sigma, making it possible to reduce the stocks held by the users. Great emphasis is being placed on evening out production between quarters. The sector fully supports counter-planning.

## REMUNERATION IN UNIFIED AGRICULTURAL COOPERATIVES DISCUSSED

Prague FINANCE A UVER in Czech No 3, 1984 pp 158-163

[Article by Eng Jiri Nikodym: "Development of Remuneration in Unified Agricultural Cooperatives in the CSR"]

[Text] During the Sixth 5-Year Plan the numbers of JZD's [unified agricultural cooperatives] and their employees were drastically reduced. Despite the deceleration of areal concentration in recent years the number of JZD's declined from 1,829 organizations in 1975 to 1,067 in 1983. At the same time, the average acreage increased from 1,406 hectares to 2,444 hectares of agricultural land.

During the Sixth 5-Year Plan the total of JZD employees declined by 33,082, i.e., by 7.7 percent. The decline continued also through the first years of the Seventh 5-Year Plan. As of 31 December 1982 the average registered number of JZD employees in the CSR was 393,376 persons; 24.6 percent of the full-time employees worked in crop cultivation, 30.6 percent in livestock production, 26.1 percent in other types of production, 14.4 percent in THP and 4.3 percent in other operations.

The decline in the number of agricultural workers is gradually slowing down. In the structure of occupations the share of employees in jobs other than agricultural, with above-average remuneration, has increased since 1975. The number of truck drivers and teamsters is up by almost 40 percent (with a decline in 1982), of workers in shops and of tradesmen by 24 percent, and THP by 16 percent. The number of workers in both crop cultivation and livestock production and, to a lesser extent, also in construction production declined.

The average monthly remuneration increased in the Sixth 5-Year Plan from Kcs 1,939 in 1975 to Kcs 2,296 in 1980, i.e., on the average by 3.7 percent annually, and in the first 2 years of the Seventh 5-Year Plan to Kcs 2,403, i.e., by 4.7 percent. Comparable remunerations (increased by income tax) amounted in 1980 to Kcs 2,718 and in 1982 to as much as Kcs 2,872. The average remuneration in 1982 amounted to Kcs 2,959 in CSR industry and to Kcs 3,070 in construction production. The average remuneration reflects more working hours per worker.

The growth of average remuneration, particularly in the first years of the Sixth 5-Year Plan, was relatively high and very arbitrary. Therefore, since 1978 the decree by the Federal Ministry of Agriculture and Food [FMZVz] introduced control of remuneration for work in JZD's based on a stipulated maximum limit of increases of average remuneration in three, and later in four groups, according to the amount of annual remuneration.

The funds for remuneration in JZD's are controlled according to the principles outlined in Decree No 143/1980 of the SBIRKA issued by the Federal Ministry of Labor and Social Affairs. Outputs, including special returns, and profits, including subsidies, were designated as the initial base for the basic and incentive component and for the calculation of funds for remuneration. The principle of single-factor control has been implemented since 1982. All funds for remuneration are converted in relation to the growth of outputs, including special returns, as compared with the initial basis which represents either the reality or the plan for the preceding year. At the same time, the extent of addable items was limited and deductible items, including the share in the punitive bank interest, were basically canceled.

The control of the funds for remuneration in JZD's, enforced since 1978 and adjusted in the following years, has produced a positive effect. The basis for individual assessment of remuneration due JZD workers was defined and arbitrariness in remuneration was eliminated. The growth of expense remunerations decelerated and the incentive factor of remunerations was enhanced. That affects the relation between the growth of average remuneration and labor productivity more effectively.

#### Development of Wage Costs and Results of Control in 1981-1983

The development of wage and other personal costs and total resources for remuneration in relation to the gross and marketed agricultural production was affected by the measures of control (reduction of the livestock production) and, in some areas, also by the poor results of the production and economy in 1982 on the one hand, and on the other by the renewed dynamism of our agricultural production in the first half of 1983. Mutual relations are evident from a comparison of the indexes of development -- see Table 1.

Table 1

	<u>Reality</u> <u>82/81</u>	<u>Plan 83</u> <u>Reality</u> <u>82</u>	<u>Reality as of 30 June</u>	
			<u>82/81</u>	<u>83/82</u>
Wage costs and OON	101.8	101.2	100.0	104.8
Funds for remuneration	102.2	102.7	100.6	106.9
Gross agricultural production	102.9	102.4	93.7	113.0
Marketed agricultural production	100.9	102.7	96.0	108.4

Furthermore, the relation of the wage and other personal costs to outputs, including special returns, was positively influenced by measures in the



system of economic mechanisms for 1982 and the following years of the Seventh 5-Year Plan, as shown in Table 2:

Table 2

Share of wage costs and CON in:	<u>Change</u>			<u>Change</u>		
	<u>Reality 82</u>	<u>Reality 82/81</u>	<u>Plan 83 Reality 82</u>	<u>Reality as of 30 June 82</u>	<u>Reality 82/81</u>	<u>Plan 83 Reality 82</u>
Total costs	22.73	-1.36	+0.01	21.97	-1.18	-0.20
Outputs, including special returns	20.53	-1.91	+0.26	22.50	-0.97	-0.32
Gross agricultural production	24.92	-0.27	-0.29	38.34	+2.40	-2.78
Marketed agricultural production	29.99	+0.26	-0.44	40.58	+1.61	-1.33

While the share of wage and other personal costs in total costs, outputs and gross agricultural production decreased in 1982, it increased in relation to the marketed agricultural production because the marketing of livestock products had been reduced.

In comparison with the extraordinary achievements of our crop production in 1982, the positive developmental trends in the plans of the JZD's for 1983 deteriorated. Gross agricultural production was up 2.4 percent as compared with 1982, the decline of outputs was estimated as 1.1 percent, and that of the creation of profits as much as 11.4 percent. Lower outputs were affected by lower special returns, including compensation for losses, and lower creation of profits by higher costs. This was also negatively reflected in the deteriorated relation of the planned average wages to planned labor productivity.

The structure of the funds for remuneration improved in the plans for 1983. The share of the incentive factor in total funds for remuneration increased by 18.7 percent. It is presumed that the stipulated tasks, i.e., the share of 20 percent, may be achieved before the end of the Seventh 5-Year Plan. Within the incentive factor the shares in economic results increased more distinctly: in 1982 by 8.7 percent, and in the plans for 1983 by as much as 11.7 percent, in particular because of more favorable economic results in 1982. The introduction of bonuses for increases in marketed agricultural production and better achievements in our livestock production last year also increased average remunerations in JZD's in the first half of 1983.

To determine the annual amount of the funds for remuneration, we proceed from the initial base and conversion coefficients. The initial base consists of outputs, including special returns, and the converted volume of the funds for remuneration in the preceding year. If the planned volume of outputs in the preceding year falls conspicuously short of the goal or is exceeded (under 98 percent or over 102 percent), the initial base consists of the

planned volume of outputs and funds for remuneration. Pursuant to valid regulations of the FMZVz, the OZS [District Agricultural Administration] permits further adjustments of the initial base in justified cases (due to changes in the organization, the scope of capital investment financed by the enterprise, and the structure of production). As compared with actual outputs used for calculations in the preceding year, the initial base of the outputs, including special returns, for 1982 declined by Kcs 2,923 million and for 1983 by Kcs 2,954 million. The initial base of outputs was adjusted to a major extent in 1983 due to the increases by Kcs 196 million in 140 JZD's and decreases by Kcs 3,150 million in 752 JZD's.

The enormous decrease of the initial base, including special returns, was affected mainly by higher overfulfillment of the planned outputs, including uncompensated losses, and to a lesser extent by the changes in the structure of the production and the volume of capital investment financed by the enterprise itself.

At the same time, the initial base of the funds for remuneration was raised by Kcs 219 million. Agricultural administration agencies must review and assess far more responsibly the demands of the JZD's and permit only truly justified adjustments.

Adjusted outputs and uncompensated losses verified by Czech State Insurance are used in quarterly reviews of the funds drawn for remuneration and for their calculation. The extent of such losses differs considerably in individual years (in 1981 Kcs 2,016 million, in 1982 Kcs 952 million). Their total inclusion in outputs for the calculation of the applicable amount of the funds for remuneration is not entirely justified. Although, unlike in 1982, the inclusion of the losses in the outputs was limited by a ceiling set at 100 percent for the calculation of the funds for remuneration, this could not fully resolve the underlying problem. The contradiction between the cash earnings of JZD employees and the achievements of their work continues. Although the inclusion of losses of individual crops should not exceed the difference between the planned and the actual yield, there may be overall overruns if the planned yields of other crops are exceeded.

In controlling the funds for remuneration in JZD's, the inclusion of uncompensated losses in recent years appeared as follows:

-- in 1981, when the planned outputs, including special returns, were 98.8 percent fulfilled, the inclusion of the uncompensated losses put the fulfillment at 103 percent; by the same token, due to such adjustments, 390 JZD's exceeded their planned level of outputs in the amount of Kcs 732 million;

-- in 1982, when the effect of the inclement weather was less detrimental, planned outputs, including special returns, were 103.6 percent fulfilled and the inclusion of the losses raised them to 104.6 percent, which enabled 250 JZD's to overfulfill their planned level by Kcs 392 million.

The effect of adjustments of profits was demonstrated in a similar fashion and to an even greater extent. Since the single component control had been

introduced in 1982, adjustments of profits did not affect the calculation of the applicable amount of the funds for remuneration in JZD's.

The calculated planned amount of the funds for remuneration increased in 1982 by 3.6 percent over 1981 and in the first half of 1983 by 4.9 percent over the same period in 1982. With fewer items that may be added (Kcs 95 million less) or deducted (Kcs 50 million less), the applicable amount of the funds for remuneration rose in 1982 to Kcs 11,797 million, which is 3.2 percent, and in the first half of 1983 to Kcs 5,606 million, or 5 percent.

Control of the funds for remuneration produced more advantageous results stemming from the observation of the principles in force in recent years. While the relative overrun in 48 JZD's amounted in 1981 to Kcs 17 million, in 1982 only 3 JZD's reported relative overruns in the amount of Kcs 1 million, which were fully covered from their own resources. At the same time, the savings of the applicable amount of the funds for remuneration increased by Kcs 132 million to a total of Kcs 1,026 million; most of them (70 to 80 percent) were used to supplement the fund for remuneration.

In the first half of 1983 the planned volume of outputs was 107.5 percent fulfilled and 14 JZD's reported relative overfulfillment in the amount of Kcs 2.6 million and uncompensated [overrun?] in the amount of Kcs 2.4 million. In the first half of 1982 32 JZD's had reported relative overfulfillment amounting to Kcs 9 million and uncompensated [overruns?] to Kcs 6 million. Also, the reported savings of Kcs 468 million were higher (by Kcs 24 million) in 1983. Toward the end of 1983 only one JZD reported relative overfulfillment in the amount of Kcs 660,000.

#### Funds for Remuneration

In 1981 the creation of the funds for remuneration fully depended on allotments from the distribution of resources. The introduction of grants from the bonuses for higher marketed agricultural production reduced their share in 1982 to 84.1 percent and in the plan for 1983 to 88.3 percent. By the same token the total volume of the creation of funds for remuneration increased in 1982 by Kcs 314 million, i.e., by 44.3 percent, over 1981. The grants on premiums for higher marketed agricultural production accounted for more than one-half of that increase. The plan for 1983 projected not only lower total allotments (Kcs 160 million less), but also lower grants for higher marketed agricultural production.

The planned allotment from the economic results in 1981 was realized and planned profits fulfilled at 71.8 percent in almost their full planned amount. This was made possible by the inclusion of uncompensated losses in the creation of profits, which was the determining indicator for the calculation of the incentive factor. In 1982 the planned profits were 117.3 percent fulfilled and the planned grants to the funds for remuneration amounted to 120.9 percent because more savings of the applicable amount of the funds for remuneration were used, which did not fundamentally affect the planned proportions of the distribution of the created resources (the plan -- 14.5 percent, reality -- 14.7 percent); nevertheless, it led to higher increases of average remunerations in the first quarter of 1983.

Of the total funds used for remuneration, 97.5 percent were paid in 1981 for shares in the economic result and 1.3 percent for bonuses and rewards, and in 1982, 98.9 percent for shares in the economic result and 0.8 percent for bonuses and rewards. The plan for 1983 considered using the fund for remuneration to pay for the shares in economic results to a lesser extent --88.9 percent--and at the same time to expand its use for bonuses for achievements to 11.1 percent.

As compared with 1982, in the first half of 1983 the use of the funds for remuneration was distinctly higher -- by Kcs 102 million, i.e., 32.2 percent-- for payment of the shares for 1982, and by Kcs 1.3 million for premium for achievements. Although the creation and use of the funds for remuneration were up, their residue did not increase.

As of 30 June 1983 Kcs 13.3 million in the funds for remuneration was contingent on relative overruns. In 1982 that amount was only Kcs 3.3 million. More consistent enforcement of the principles for linking overruns in the distribution of the funds for remuneration helped reduce the uncompensated overrun of the applicable volume of the funds for remuneration. Nonetheless, individual instances still occur where the overrun is accounted for as uncompensated, even if there are sufficient resources in funds for remuneration.

In the processing of the labor and wage plans, in their reviews and in the control of their fulfillment throughout the year the branches of the Czechoslovak State Bank closely cooperate with agricultural administration agencies. They participate in the planning and supervise the observation of the principles of control and proportional development of the funds for remuneration. In the course of the year they follow actual drawing from the funds, and if the fulfillment of the applicable amount of the funds for remuneration is in jeopardy, they insist that the JZD take steps as per the decree of the FMZVz. Individual instances of serious overruns are censored by proceedings at the OZS with the participation of the branch representative of the bank. The OZS stipulates the steps to be taken in order to terminate the undesirable development. In case of sizeable overruns caused by subjective reasons the branches of the bank apply sanctions raising the interest rate. For those reasons, credit rates were increased in 19 cases in 1982 and in 7 cases in the first half of 1983.

#### Control of Wage Development in 1982 and 1983

Pursuant to the decree by the FMZVz, the principles for the control of the funds for remuneration of labor in JZD's are observed during the drafting of the labor and wage plan as well as during the review of the drawing from those funds.

Planned average numbers of employees agreed upon by the Kraj Agricultural Administration and the kraj national committees have not been met. The planned numbers of THP have been maintained; however, they are steadily increasing.



Control of the funds for remuneration achieved in 1982 and 1983 results that may be considered satisfactory. The number and the extent of instances of overruns are declining. With the possible inclusion of uncompensated losses in the volumes of outputs for calculation, up to 110 percent promising results have been projected for 1983 as well.

The development of average rewards to JZD employees is based on a 9.3 percent advance in the growth of labor production in 1982 and 4.6 percent growth as of 30 June 1983. The disadvantageous relation in the plan for 1983 (increase of average remuneration by 2.3 percent with labor productivity declining by 0.9 percent) resulted from the planning of lower creation of outputs, particularly of special returns. Nevertheless, overfulfillment of planned labor productivity may be anticipated and the average remunerations for the whole year will be in desirable relations to labor productivity. According to preliminary results for 1983 the advance of labor productivity reached 7.2 percent.

Average (net) remunerations in individual categories of workers differ considerable. In 1982 they ranged from Kcs 1,737.00 for other workers in agricultural crop cultivation up to Kcs 3,025.00 for truck drivers and teamsters. Above the statewide average are the following occupations: tractor drivers and combine drivers, dairy cow attendants, attendants of other cattle and hogs, drivers and teamsters, workers in shops and THP.

Nevertheless, desirable relations between the funds expended for remuneration and the achieved volumes of gross and marketed agricultural production have not been achieved. The relation to gross agricultural production practically improved in 1982 and in mid-1983, although the annual plan projected deterioration.

The positive development of efficiency of the funds expended for remuneration is always thwarted in years -- or in areas -- with poor achievements in agricultural production because the methodology for control up to 1982 has made it possible to include uncompensated losses in the outputs, including special returns (in 1982 to an unlimited extent). Even with the adjustment in force since 1983, when losses could be included for individual crops at most up to the amount of the plan, there are instances of unjustified overruns of outputs and impairment balance between the cash incomes of the JZD employees and the achievements of their labor.

### Conclusions

Following the introduction of a unified system of remuneration and of control of remuneration and with the implementation of the program for improving economic efficiency of the wage systems, the situation of remuneration in the JZD's is improving. Arbitrariness in remuneration has been eliminated and the incentive factor enhanced. Within the framework of the valid principles of control, the results of control have also improved. A more proportional development of average remuneration in relation to labor productivity is being enforced.

The discrepancy between the funds expended for remuneration and the results in the fulfillment of the gross and marketed agricultural production continues, albeit to a lesser extent, which is evident from the inclusion of uncompensated losses in the outputs even above the level of the overall plan for agricultural crop cultivation.

For further intensification of the principles of control when using the funds for remuneration not only in JZD's but also in other agricultural organizations, it is desirable to implement the following measures in updating the principles:

- to limit the inclusion of uncompensated losses in the outputs, including special returns, for the purpose of calculation of the applicable volume of the funds for remuneration at most up to the level of the total plan of outputs in agricultural crop cultivation;
- to stipulate indicators determining the calculation of the funds for remuneration in order to enhance their effect as incentives for achievements in agricultural production;
- to set a firm basis for the principle of proportional growth of labor productivity over average remunerations in a decree as a prerequisite for the opportunity to apply the savings of the applicable amount of the funds for remuneration in the fund of rewards, and thus to strengthen the linkage with the growth of agricultural production proper.

The administrative agencies, especially the OZS's, must become more demanding when reviewing economic justifications for full inclusion of uncompensated losses; they must be more effective in safeguarding the proportional development of average remuneration already in annual economic plans. This applies to the planning of tasks in outputs and particularly to permission to adjust their initial base. In case of relative overruns, they must demand that such overruns be covered by blocking the assets in the funds for remuneration of the JZD in question. In dividing the created resources they must safeguard the proportions of the plan and enforce the use of savings for the funds of remuneration only to the extent that does not negatively affect the proportional development of average earnings.

The credit policy of the branches of the Czechoslovak State Bank must follow the same course.

5004

CSO: 2400/327

DEFINITION OF PUBLIC ORDER EXPANDED, PENALTIES INCREASED

Bonn INFORMATIONEN in German No 11, 1 Jun 84 pp 14-15

[Discussion of decree translated in JPRS-EPS-84-076 of 18 June 1984 article DECREE ON CRIMES AGAINST PUBLIC ORDER, ECONOMY pp 37-49]

[Text] In the GDR, on 1 July of this year a new "Decree on Combating Offenses Against Order" is going into force, with which punishment is established for offenses "against the national order," "against the public order and security," and also "against measures aimed at management of the economy." Compared to the regulations dating to 1968 which have been in effect hitherto, new illegalities have been introduced which are now viewed as offenses against order, above all in the sphere of "violations against the public order and security." Moreover, in general the fines which must be paid in connection with offenses against order have been raised.

According to the "Law on Combating Offenses Against Order" of January 1968, which the new regulation serves as an implementing decree, "offenses against order" are "culpably committed violations of the law which express an unruliness and impede the activity of managing the country or which interfere with the development of the socialist community, but which do not substantially violate the interests of socialist society or of its individual citizens, and therefore are not criminal offenses."

All misdemeanors which were included previously in the Implementing Decree of 1968 as offenses against order have also been incorporated without appreciable changes in the new decree, such as for example "breach of trust," "cruelty to animals," "misuse of vending machines" or "unauthorized use of a vehicle." However, now these violations of the law are generally subject to fines of up to 500 marks; previously their maximum level was fixed at 300 marks.

Also new is the fact that in connection with some of these violations of the law it is noted that they can also be punished according to the sections of the Penal Code. Thus, for example, Section 13 ("Unauthorized Use of a Vehicle") says that this misdemeanor also can be prosecuted in accordance with the relevant sections of the Penal Code (§ 201).

## Introduction of New "Offenses"

The important innovation of this decree has to do in particular with Section 4, in which "disturbances of socialist community life" are summarized. Previously, the sorts of offenses understood by this were "disturbing the peace," "otherwise improper" annoying of citizens, or minor property damage. Now this section has been expanded by five additional illegalities which from here on are classified as offenses against order.

For example, it can be viewed as a "disturbance of socialist community life" if anyone

"organizes, supports, or in some other way participates in a gathering which is likely to flout society's interests or to adversely affect the public order and security, or if this person does not leave this gathering upon request by the competent instruments of the State."

With this, for example, participation in gatherings of unofficial peace groups can be punished by a fine of up to 500 marks in the future.

The same fine threatens anyone who

"evinces or encourages in a demonstrative way a disrespect for laws and other legal regulations, or national or social interests."

For example, this passage could be applied if anyone objects to the stationing of Soviet nuclear missiles in the GDR, or protests against the construction of a freeway through a natural preserve.

A fine of up to 500 marks must also be paid by whoever

"makes use of themes, symbols, or other signs in a way which goes against the governmental or social interests."

By reference to this point, all those GDR citizens could be prosecuted who, for example, wear as an applique the slogan "Swords Into Plowshares," a practice which is banned by the State.

Finally, it is viewed as a "disturbance of the socialist community life" when anyone deliberately

"acts contrary to instructions of the appropriate instruments of the State for the purpose of ensuring order and security," or

"commits other acts which go against the general interests of the socialist society, or against the needs of the citizens for lawfulness, order, and security."

As a "note" to Section 4 of the new decree, in which these new illegalities are listed, in addition it is stated:

"Substantial disturbances of the socialist community life may be prosecuted as a crime against the national and public order or as damage to property."

In all these cases, the execution of the penalty proceedings is the duty of "the heads of the departments of the German People's Police."

In comparison to the old decree, in the new one an additional section (27) has been introduced, which in connection with the "combating of offenses against order" provides for an increase in the fines of up to 1,000 marks for most of the illegalities mentioned hitherto when it is the case that

"major damage has been caused or could have been caused,

society's interests have been grossly flouted,

the national or the public order and security have been substantially impaired, or

such offenses were committed through seeking an advantage or were committed more than once within 2 years and were punished with a fine."

#### "Offenses Against Economy-Managing Measures"

In the new decree, the fines have been drastically increased in connection with "offenses against economy-managing measures." Thus, for example, a person is subject to a fine of up to 10,000 marks if he "negligently quotes, charges, or receives a price different from the legally permissible one." The previous maximum fine was about 1,000 marks. Likewise a fine of up to 10,000 marks (instead of 1,000 marks) must be paid in connection with social-insurance contributions by any person "who negligently causes" preferential treatments "to be granted or retained contrary to the legal regulations."

Some new material inserted into the decree was Section 24 ("violation of duties vis-a-vis the governmental financial audit"). It provides for fines of up to 500 marks which anyone must expect to pay who deliberately "does not fulfill or unsatisfactorily fulfills" requirements of the financial audit, "gives wrong information," or "withholds or hides requisite documents." In special cases, this fine can even be raised to 1,000 marks.

12114  
CSO: 2300/531



RATIONALIZATION CREATES ELITE AMONG INDUSTRIAL WORKERS

East Berlin SOZIALISTISCHE ARBEITSWISSENSCHAFT in German No 3, 1984 (signed to press 20 Mar 84) pp 182-185

[Article by G. Noack: "The Construction of Means of Rationalization and the Social Structure of Industrial Workers"]

[Text] To maintain the course of the main task even under the changed internal and external conditions of the eighties in a resolute and successful fashion has become an indispensable part of the economic and social policy of our socialist state in the interest and to the benefit of the working population and has left a deep imprint on the popular consciousness. Based on the new standards, the greater demands and increased opportunities, the priority task is to attain continuously higher efficiency throughout the economy on the basis of a strong increase in labor productivity while at the same time raising economic efficiency in all sectors. This progressive orientation toward growth throughout the economy makes it incumbent on us to achieve major progress and farreaching results in the area of socialist rationalization. The most important factor involved in the intensification of this process is the high-performance, high-grade development of the means of rationalization in the industrial combines and factories. This appears all the more important, since we must assume that revolutionary technological change cannot generally become fully effective from an economic point of view until systematic rationalization has taken place—where optimal relationships have a decided impact on the sought-after efficiency of the production cycle as a whole. Measured against the qualitatively new demands, this means that the production apparatus must be permeated and modernized with the help of the most up-to-date technology—where socialist rationalization will be tied more and more closely to automation.<sup>1</sup>

Creating the means of rationalization on our own thus becomes a genuine factor affecting the planning of both main and auxiliary production processes. It develops into a fundamental characteristic of intensively expanded reproduction. On the basis of the current state of science and technology, our task is to create the intellectual and material conditions to help effectively prepare the way for high-performance production processes; to maintain these and to rationalize them continuously at a constantly higher level.



As this process takes hold, the onward development of the social structure of our socialist society proceeds along its historic course as a phenomenon representative of the social coming together of all classes and strata and of the growing expression of the social, political and intellectual bonds which unite them. This trend is an objective component of the overall system of scientific-technological, economic and social development. The reciprocal relationship between economic growth on the basis of the completion, the intensive utilization and expansion of the material-technological base and of social-structural changes thus is important for at least two reasons. On the one hand, changes in the social structure can only be implemented to the extent that the necessary material-technological conditions already exist or will be created and on the other hand, the goal-oriented, conscious evolution of necessary social structures is itself a decisive factor affecting economic growth.

This is meant to indicate that the aggressive implementation of scientific-technological progress will inevitably lead to altered division-of-labor structures which in turn will result in changes in responsibilities and along with these in new functional patterns and structures within the working class and the intelligentsia. As we continue to develop our own means of rationalization, a major social-structural development potential will quickly evolve in industry—particularly within the social group of the industrial workers to which special attention should be paid. The creation of highly efficient means of rationalization with an eye to transforming entire technological processes makes it clear how important this trend is. Sociological studies conducted at the VEB Harzgerode Foundry and Piston Works came to much the same conclusion.

Production at this plant focuses on a variety of pistons as well as engine and transmission housings. The rationalization strategy of the plant concentrates on the crucial segments of material production and on exclusively indigenous performance. This led—step by step—to logically structured, praxis-oriented, "tailor-made" rationalization solutions which resulted in a high gain in efficiency and double-digit growth rates in industrial goods production. But success was also achieved in linking complex technology in a meaningful integrated system consisting of industrial robots, manipulators, feeders and automatic controls with interposed transport devices and controls.

The priority is on modernization of existing machinery and facilities—above all on the widest possible utilization and application of micro-electronics and a step by step increase in the level of automation both of work processes and equipment. Taking the specific needs of a medium-sized foundry into consideration, the following measures were undertaken:

The creation of process specific means of rationalization at the plant itself turned into a long-term efficiency factor. Since 1970, this plant has been developing this field into a high-performance factory unit.

The nature of the means of rationalization has been adjusted to changing demands in a goal-oriented fashion throughout. Initially, production goods, devices, tools and simple means of production were turned out to help facilitate and mechanize some of the very hard manual labor. Today, the emphasis is on automatic controls, automatic equipment, industrial robots and the complementary relationships.

The plans to move from "small-gauge production" resulting in slight annual growth rates and a large selection of goods to specialized serial production accompanied by wide-ranging, gradually expandable rationalization solutions were implemented.

Special attention was paid to the complex interfaces in technological processes which help attain high growth rates at acceptable cost, if the pertinent technologies are employed in a rational way.

With the aid of technology-based rationalization technology, marked improvement in the working conditions of the production workers was achieved by reducing the amount of primarily heavy, unhealthful, monotonous, one-sidedly burdensome labor. At the same time, the share of creative work grew substantially as a result of higher intellectual demands.

Thanks to the firmness of the plant management and the active participation by large segments of the work force in looking for and implementing constantly new ways of achieving rationalization, production time of some types of pistons, for example, was cut down to one-sixth of what it was initially and the 1985 goal is to cut the time down to one-ninth. Construction changes and more rational application of production technology helped end users of these pistons achieve substantial savings in diesel fuel.

The plant presently has 44 industrial robots working at high capacity. The pride of the rationalization specialists is the automatic control center responsible for the processing of the pistons. Various interconnected machine tools are used to process centrifugal casting blanks both inside and outside and turn them into finished pistons. There is only one production worker supervising and controlling the automated production process. Attempts have been made and partial solutions have been found that will automate the movement of the pistons along the assembly line, sort them and subject them to quality control. At present, however, the emphasis still is on partially automated "production hubs" scattered throughout the various sections of the plant.

Socialist rationalization, it is stressed, is a permanent part of the "innovators movement" in the factory. In 1982, 56.5 percent of all jobholders—including 59 percent of all industrial workers, 42 percent of all women and 87 percent of all young people—took part in the movement, particularly in innovators collectives. During that same year, they produced a profit of 2,120 marks per jobholder as compared to the GDR average in industry of 996 marks.

The case study also proves that it makes no sense for a medium-sized plant simply to institutionalize the creation of the means of rationalization; it makes more sense to get everyone involved. Although a clear separation of responsibilities must be worked out, all the available resources including research, construction and technology as well as production and maintenance must be an integral part of the solution of the overall problem.

At the Harzgerode plant, highly specialized and experienced skilled workers are focusing their attention on creating the means of rationalization. They have had long experience on the job and possess additional and in some cases even multiple skills. They also know how to work with tools and are familiar with the basics of technology. These skilled workers can be used at different jobs in different ways and they are familiar with complex new technologies based on microelectronics, robotics, computer technology and data processing. The jobs they do are varied and require intellectual-creative diversity and flexibility as well as responsible, disciplined and at all times reliable work performance. As a consequence, this group of industrial workers is characterized by independent and informed action, flexibility in reaction, decision-making ability appropriate to any given situation and a positive attitude toward continued learning. All these characteristics are providing them with their own social profile. The studies have shown that these industrial workers are quite aware of the special role they are playing. This is reflected both in strongly developed self-awareness and a feeling of self-worth.

The plant has found ways of training the next generation of skilled workers it needs right on the premises. During their second year of training, the apprentices, for example, are familiarized with the need for and directly involved in the creation of the means of rationalization. In this way, the young people not only acquire the necessary job skills through hands-on training but also have an opportunity of working with the latest production technology at an early stage of their training. It is of decisive importance for them to familiarize themselves with the complex operations of up-to-date technology in modern workshops and to learn how to operate the machinery and equipment and get a feel for the technology itself. The systematic training of an all-round skilled worker pool to work on production and particularly on the creation of the means of rationalization in the plants themselves makes sure that the problems in this crucial field are solved—a field which occupies a pivotal position in modern production. "For this task we must enlist the services of the best scientific and technical cadres, the best of the skilled workers and above all young people with great initiative and drive."<sup>2</sup>

The enhancement of the advantages and the use of the opportunities inherent in socialist rationalization—and particularly the indigenous development of the means of rationalization to a previously unparalleled extent—calls for the dynamic development of productive forces. The following report from VEB Mansfeld combine Wilhelm Pieck at Eisleben underscores the truth of the above statement.

This efficient industrial combine is the nonferrous metals center of the GDR. It provides the entire economy with semi-finished copper and aluminum goods. In view of the plant's special responsibilities and the tasks connected with the attainment of the ambitious goals of the metal finishing industry, it was recognized early on that real progress in these fields could only be made with the help of socialist rationalization and the indigenous development of branch of industry-specific means of rationalization. This is why this strategy has long been an integral part of the combine's efforts aimed at enhancing performance by way of intensification.

In keeping with the needs of the combine, an equipment plant was built which turns out high-grade means of rationalization on short notice. As one of the organizational units of the combine, this particular plant manufactured more than 60 percent of all the means of rationalization produced by the combine in 1983. In addition, all the member plants of the combine devised efficient ways of solving rationalization problems connected with individual factories and products—e.g. at VEB Nordhausen blast furnace; VEB Thale iron foundry and VEB Hettstedt rolling mill. Smaller plants, too, have come up with special rationalization procedures which are primarily concerned with solving problems stemming from the innovators movement.

Thanks to the successful enhancement of the combine's own capability of developing and efficiently employing the means of rationalization substantial progress has been made in this crucial field. Net value of indigenous production has almost tripled since 1972—with all the targets of the current 5-year plan showing a gain of more than 200 percent as compared to the 1976-1980 period. The qualitative jump made over the past several years is perhaps even more remarkable. In line with continuously higher demands with regard to complexity, there was a gain of more than 270 percent in the area of automation technology over the past 3 years—with microelectronics-equipped technology jumping by more than 100 percent each year. An especially strong gain was registered in the output of controls for process-flexible industrial robots which increased eightfold between 1980 and 1983.

These few statements are evidence of a high level of development which is also reflected in the fact that specialization has markedly increased in the central equipment plant and has developed to such an extent that priority can now be given to complex undertakings. As a consequence, the development of the means of rationalization grows much faster than production overall—which is tied to the need to turn this into an in-depth process. This



is why the central equipment plant has increasingly assumed a leadership role in the total process of developing the means of rationalization both within the combine and in that particular sector of industry as well as in the field of international cooperation with partner firms.

The equipment plant concentrates among other things on the metal finishing industry; the application of microelectronics and robotics; the use of domestic raw materials in assuring the complexity of raw material utilization; the production of high-quality consumer goods and the improvement of the quality and exportability of the main products. The focus is on innovation, modernization and reconstruction of such production processes where minimal cost and shortest lead time combine to produce maximum economic efficiency. Toward this end, it was necessary to provide for a satisfactory material-technological base in a variety of areas such as in mechanical and electrical engineering, electronics and construction—which are all part of the combine. These are also the types of specialized fields where specific aspects of electronics, hydraulics, pneumatics, processing and assembly determine the characteristics of skilled industrial labor in developing the means of rationalization. Here are some particularly useful examples of how greater efficiency can be achieved in this field:

The implementation of new, productive, work-saving technologies with the aid of the mining mechanization program.

The refinement of aluminum foil into enameled foil for the canning industry with the help of a broadband enameling process.

The development and construction of a plant for horizontal casting of brass bars as an important precondition for the rationalization of the output of extrusion press products.

The stabilization and intensification of the copper wire casting and milling plant to lay the groundwork for the modern plants to produce wire of the least thickness and the construction of plants and equipment for metallurgical research purposes.

A particularly fine example of this is the combine's cooperation in devising means of rationalization for the purpose of constructing, testing and transferring the world standard technology of the Soviet copper wire casting and milling plant. The new technology makes it possible to turn out copper wire directly and continuously from the smelting oven in one single production process.

In very short order, some 30 percent of the equipment needed was prepared and assembled from the combine's own production lines. During the test stage the equipment plant not only provided most of the start-up services but also worked out a great many modifications on the machinery and continues to contribute to the further intensification of the plant's performance.



Part of the main task of developing the means of rationalization at the Mansfeld combine is the production of consumer goods.

The development of the means of rationalization is directly involved in all of these projects; in fact, it plays a leading role in them. Two examples will show what we mean: In the second quarter of 1984, the production of bicycle wheel rims at the VEB Hettstedt rolling mill will be partially automated and will change over to operator-less production except for material processing and shipment. Through the integration of 21 industrial robots—most of them manufactured at the plant itself—the goal is to more than double production within 3 years while at the same time freeing labor for other tasks and markedly improving the working conditions and the work content of the "production workers" who are more and more leaving the production processes of material goods behind them. The installation of this assembly line opens up a new chapter in the development of the means of rationalization at the Mansfeld combine. Higher quality is the result of the transition from the partial use of microelectronics, robotics and data processing to the integrated application and design of complete production cycles.

During the past 2 years, the equipment plant took over a new production facility which turns out hand drills. When serial production began, work was partially automated, using 11 robots. Over the next several years, seven more will become operational.

It has gradually been possible to increase production threefold. By 1985, it is expected to rise by at least 200 percent from its 1983 starting point. The experience with and the results of the indigenous development of the means of rationalization at the Mansfeld combine shed an even stronger light on the social structural factors of the development of the social group of industrial workers which were outlined above.

Almost 50 percent of those working at the equipment plant are experts in IREM technology and microelectronics and about 25 percent are experts in machinery and equipment. The skilled workers, too, are specialists—with the trend toward specialization continuing to grow. While the number of university and technical school graduates working at the combine increased by one percent between 1976 and 1983, it grew by 1.6 percent in the rationalization sector. The number of master workmen and skilled workers jumped from 65.8 to 69.8 percent and the rates of increase are even higher when compared with the combine's total work force. Concurrently, the number of unskilled production workers slipped from 16 to 8.7 percent while the number of semi-skilled rose from 5.2 to 6.9 percent. This change becomes even more visible when the age levels of the total work force are matched against those at the equipment plant. Starting in 1978, there has been a marked trend toward younger production workers in the rationalization sector and the specialized skilled workers have also increased substantially in number. Almost half the production workers are below 35 and the same applies to 54.5 percent of the skilled labor force.

As one can see, the rationalization sector attracts highly qualified, specialized, young skilled workers. The work they do and the demands placed on them are characterized to a large extent by the desire to /exceed/ existing production levels in their particular area. In addition to great familiarity with the areas of specialization, this calls for the ability to systematically acquire the most up-to-date information on technical and technological trends as part of a continuous learning process. In the rationalization field, it is of course absolutely imperative to be familiar with developments in related fields; to gain hands-on experience with automation as well as to learn manual skills. The skilled worker must be familiar both with conventional and complicated modern technology—with the organic unity of physical and intellectual labor being achieved in a genuine way. Physical labor in this context means high-quality manual labor combined with a certain level of intellectual activity. Experience on the job plays a large role in this. That the job places great intellectual demands on the worker and requires him to be creative is reflected in the fact that the tasks performed by skilled workers, master workmen and technicians alike are characterized by variety, diversity and a high level of complexity, calling for a great measure of self-reliance. These job requirements border on those of real engineers.

The positive attitude which must be displayed in solving work assignments collectively and the team spirit among skilled workers and engineers on the basis of stable individual performance result in an adjustment of work content to working conditions; in a change in collective structures and a growing realization of the common social, political and intellectual factors involved. This development may be viewed as a step on the way toward the gradual elimination of social differences which aims at a continuing social rapprochement of all classes and strata. This development is a process directed toward the qualitative growth of the working class in our socialist society and leading to the distinction and affirmation of the specific social characteristics of the separate social groups. This will also result in a further inner differentiation of the group of the industrial workers.

#### FOOTNOTES

1. E. Honecker, Discussion Address at 7th meeting of SED Central Committee, Dietz Verlag, Berlin, 1983. p 31.
2. Ibid., p 31.

9478  
CSO: 2300/537

# COUNTRY MAKES FLIRTATIOUS APPROACH TO COMMON MARKET

Brussels LE SOIR in French 25 May 84 p 7

[Article by Maroun Labaki]

[Text] Hungary and the countries of the European Community are making overtures to each other but they hesitate to take the final step. They feel uncertain about the kind of bonds they wish to establish and have misgivings about the need to make serious concessions to seal their union. One can see that this is a typical match of convenience. Love is absent in this affair.

In fact the Hungarians seem to want to obtain as many trade advantages as possible from a possible agreement with the EEC. But they are also afraid of being regarded as "quitters" within the Eastern Bloc. The Ten, for their part, are willing to make some economic concessions to score a political point and to introduce a wedge in the cohesion of the CMEA states (with the exception of Romania, these states refuse to deal with the community itself).

Experts from the community and from Hungary met last week in Brussels to carefully study the possibilities of reaching a trade agreement. But their efforts did not result in any progress. On the contrary, faced with the overtures made by the European Community, the Hungarians have taken a hard stand in their maximalist demands. To well-informed observers this indicates that for the time being Budapest does not really intend to work towards an agreement. Why?

What do the Hungarians really want? Over a year ago they took the initiative of making advances to the EEC and the community was receptive. But the Hungarian authorities quickly changed their attitude. They used delaying tactics and asked for "outrageous" conditions (so much so that they jeopardized any realistic progress in the talks).

They have specifically demanded that the Ten treat Hungary as a market economy country therefore cancelling for that country measures described as "discriminatory" (the quotas) which apply to all countries with state-controlled trade. Budapest also demands preferential custom tariffs with the EEC but will not agree to offer the Ten genuine and guaranteed access to the Hungarian market.

"They want preferential association status without acknowledging that association," say the European authorities.

#### A Market Economy?

Among the Ten, people are surprised by the Hungarian demands because even with goodwill it is impossible to say that the Hungarian economy is a market economy: enterprises are subsidized, the state decides who can engage in trade, prices are supported, the private sector account for only 3.5 percent of the GNP and so on.

Nonetheless the Ten have shown goodwill towards Hungary. Also quite a few European leaders have recently visited Budapest because they consider that it is the horse on which they should put their bets in the CMEA stable. It has a good economic management, a liberal outlook (in the economic sphere) and a determinant foreign trade. From there to give in on fundamental points there is only one step which the Ten do not want to take.

Of course the political victory would be important: Hungary would become the first Eastern country to sign an all-embracing commercial agreement with the community (the agreement with Romania is an industrial agreement) but the price is too high. Among the EEC countries, Italy and Ireland are the most reticent to the idea of granting concessions to Hungary. Beyond the fact that it is a question of principle, these countries would be the ones more seriously affected from the commercial standpoint.

What is the reason for Hungary's attitude? Are the Hungarians subjected to Soviet pressure? Do they want to wait until the CMEA summit (the first convened since 1971) scheduled to take place next month in Moscow to weigh the advantages and disadvantages of partially redirecting the Hungarian economy toward the West. Do they really believe that they can derive substantial economic gains from that change of course? All these questions remain unanswered right now. In Brussels the Commission and representatives of the Ten are also waiting to see how Budapest reacts to the community's latest offers, made last week, before reaching a decision.

#### Moscow's Game

Could it be that as Soviet-US relations become increasingly tense, the Kremlin will soon be tempted by closer trade ties between the CMEA and the EEC? The possibility has been mentioned. Should the Soviet Union decide in favor of closer trade ties with the Ten, it would wreck Hungary's individual initiative, it would deprive the EEC of an expected political gain and it would be able to obtain some economic advantages for itself. But for the time being, and just like Hungary, the Soviet Union has not made up its mind.

8796

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## HUNGARY

### HUNGARIAN FOREIGN TRADE BANK SUPPORTS ENTREPRENEURS

Budapest NEPSZABADSAG in Hungarian 19 May 84 p 6

[Report on a talk with Sandor Demcsak, director general of the Hungarian Foreign Trade Bank, by Istvan Gaber Benedek, reporter]

[Text] There are confidential matters which the bankers can never tell about; thus the probing questioner can hardly resent when Sandor Demcsak, director general, opens his arms and suggests that I should be satisfied with the example, without mentioning names.

Specifically, we are discussing one of the important functions of the Hungarian Foreign Trade Bank, the promotion of credit flow among domestic managers, when the internationally known financier comments, somewhat vehemently:-- "Indeed, in spite of all central encouragement, credit movement and regrouping among the enterprises is extremely sluggish. Narrow local interests often have a greater influence than the otherwise very desirable economic interests."

But what is indeed involved? The higher authorities of several enterprises with identical lines of production were recently inclined to solve the utilization of excess capital within the enterprises, jointly with the bank. The Foreign Trade Bank was glad to assume the task promising export profits, with the stipulation, of course, that it will also invest in other branches the sums taken in the cooperation. The experts of the bank were of the opinion that to argue correctly in stating that the money, when turned over and regrouped by them--apart from the non-negligible national economic profit--produces a higher interest rate to the investors than if their savings would be put into long-term accounts.

#### Successful grain bonds

"It was shocking to hear the reply"--recounts Sandor Demcsak.--"Our partners stated flatly that they are not at all interested in the higher interest earnings, their own branch is the important thing to them. We explained in vain that it would not be profitable to invest within these bounds for the time being, the money would produce a faster return elsewhere; they remained unyielding."



The director general is of the opinion that such a rigid financial stance is, nevertheless, passing; the attitude of the economic managers is changing. Among others, this is his explanation for the success of the grain bonds issued jointly by the Red Star Agricultural Cooperative of Nadudvar and the bank.

The key phrases of the long-term financing venture--perhaps still uncommon in domestic practice--are: Some of the agricultural enterprises managed within the bounds of the Corn and Industrial Plant Producing Collaboration (KITE) could no longer increase, on their own, the machine investments for enhancing their corn and wheat exports. To obtain the financial resources, a bond with a face value of 180 million forints was issued by Nadudvar and the bank. The securities were oversubscribed by 20 million forints by the more than 40 economic organizations--including not only agricultural and industrial cooperatives but also industrial and foreign trade enterprises and banks. In the wake of the investment, a stock of export goods exceeding \$ 2 million was generated for this year and the ensuing years. This became possible because the bank has had faith in the success of the move and advanced part of the money.

"The success of our joint action, at any rate, is a good indication that our customers are interested in the new financial solutions and there is no doubt that, in the future, opportunities will open up for more and also other types of collaborative ventures"--stresses Director General Demcsak. He adds that income regulation will hopefully permit a broader range for the venture-like investment of the fiscal assets of enterprises. Thereby the turnover of securities can gain momentum, which is necessary if only because, for instance, enterprisa flexibility in a certain sense becomes stagnant through the lack of bond trade while initiatives are hindered by the ambiguous situation involving the flow of capital.

It is self-evident that an expansion of the domestic lending practices does not decrease but rather stresses the importance of the bank's basic functions: to serve the advancement of the turnover of goods. First of all, the foreign trade balance is helped by a high level of financial activity.

#### Attention: Cooperation

It is difficult to find one's way in the complex financial mazes of export and import transactions. The enterprises, particularly those which, having the right for an independent foreign trade, are in the process of getting acquainted with the world market, welcome if the bank doesn't merely process their financial transactions but also has its experts participate in the contract negotiations by formulating the conditions. Moreover, they do no turn away their partner even later when he approaches them for help or advice.

This relationship is particularly useful in the case of cooperative ventures. The fact is, their interpretation can be the cause of many misunderstandings. The foreign enterprises often confuse this form of cooperation with the

simple combination sales. Unfortunately, in many cases this is not without grounds: it is indeed difficult to distinguish the division of productive labor arrived at between foreign and Hungarian enterprises--which to us represents the true cooperation--from counter transactions based on mutual deliveries. The bank strives to make the cooperation into a true division of labor into specialization evolving in the course of production. The regulations through which the cooperations are already being very selectively supported--taking into account the national economic interests--are also aimed at promoting this aspect.

The enterprises participating in the international division of labor have recognized the role of the Foreign Trade Bank in providing business security and, from 1982 on, an increasing number of them took advantage of the collaborative services of the bank. Most recently they collaborated in establishing the relationship between Transelectro and Kontakta, and the French CGEE-Alsthom Entrelec Company. The cooperation, combined with the purpose of a license, projects a \$ 4 million trade over a 5 year period during which the domestic manufacture and exportation of switches will not only undergo a renewal but any further import of these goods will become unnecessary.

To expand the production of goods which can be sold at every market, several hundred million forints in capital were extended so far by the entrepreneurial fund of the bank to its partners. For instance, funds were received by the Textile Industrial Enterprise of Gyor to produce and export multicolored woven yard goods, and by the Matradrog Gt. to produce, process and export spices and medicinal herbs. Similarly, the bank gave a significant sum to support investments at the Canning Factory of Szeged and the reconstruction of the winery at the State Enterprise of Mór.

Among the spheres of banking activity, Sandor Demcsak also considers as extremely important another means of improving the capitalist payment balance, the so-called foreign exchange credit for processing. Through it, the enterprises can import foreign raw materials and semi-processed goods practically without limitation and, after domestic processing and exporting, they can obtain significant foreign currency profits. In addition, with the credit construction--provided, of course, that they also have suitable buyers--they can exploit their unused capacities. This type of import does not burden the functioning of the enterprise to the same extent as does import arriving through the known channels. The foreign exchange credits for processing are extended rapidly and flexibly by the bank. In recent times, there already evolved a group of enterprises--mostly in the field of light industry--which regularly utilizes this form of credit. The Hungarian Foreign Trade Bank is now striving to also expand this practice of financing to the other branches.

#### In Duty-free Areas

This year most certainly will also bring about a change in the history of enterprises of mixed Hungarian and foreign ownership to be formed in duty-free areas--continues the director general. It is true--he adds--that

before now the enterprises struggling with the international recession could hardly have taken advantage of the provisions of the ordinance issued in 1982. Now, however, within a short time, the realization of several mixed enterprisal contracts aiding Hungarian export can be expected. The duty-free areas provide the means for joining activity not only in Budapest but also in the provinces. In addition to coordinating the financial aspects of these mixed enterprises, the Hungarian Foreign Trade Bank is also willing to aid in starting or expanding work by extending credit or forming an association. But the details of the businesses in preparation--adds the director general--can only be discussed later, after their establishment.

It is generally known that today everyone is reluctant to pull out his wallet, most of the enterprises would prefer to sell exclusively. Of course, the buyer is also alert: he tries to bind his import to an immediate export of its own.

Therefore, sometimes the Hungarian Foreign Trade Bank strives to contribute to the expansion of exports by also organizing and developing the counter purchases. The representatives of the bank were not missing when Ganz-Mavag sold its motorized trains to New Zealand, the Hungarian Ship and Crane Factory marketed the floating cranes in Uruguay, and Icarus offered its buses to Greece. By coordinating the trades it accomplished that the import should consist of goods which are needed at home, contribute to the material supply of the national economy and to the better satisfaction of population demands. Thus, in the framework of the above mentioned transactions, they purchased leather, shoes and tropical fruits from Uruguay--in addition to the routine imports--wool, basic medicinal ingredients and various agricultural devices, etc. from New Zealand.

#### Loans, Interests

But we are already hearing about a new, interesting form of business. It is known that our country imports from Brazil nearly 20 times as much as the value of the goods that we can sell there. However, it is also in the interest of Brazil to approach and reach a balance of trade; therefore, the Hungarian Foreign Trade Bank often buys elsewhere the goods needed by our South American partner. It is self-evident that this export is just as advantageous to the supplier from the third country involved as it is to us.

It is also not rare that some Hungarian enterprise--through its international business connections--gets goods on favorable terms in such a manner that it will immediately sell it elsewhere--eventually on another continent--for profit. This type of trade represents the highest grade of the profession because without a domestic base of goods, with minimal expenses, mainly through intellectual work, it yields a noteworthy foreign exchange profit. In these cases the bank will not only supply credit for the international commercial activity by the Hungarian enterprises, but it also participates in searching for and conducting the transactions. They assume the business risks jointly and they share in the subsequent profits. Similarly, the Hungarian enterprises--above all Metalimpex, Agrimpex and Hungarotex--which

are present as buyers and sellers on the large commercial exchanges of London and New York, enjoy the support of the bank which provides them with secure financial backing and guarantees their business ventures. The foreign trade financial institution has assumed the role of originator in introducing exchange practices domestically, it has stressed from the beginning that their participation at the commercial exchanges will be an organic supplement to the traditional trade.

All what was discussed so far involved the foreign trade transactions of our bank. However, we cannot forget that foreign exchange banking activity is our basic task--stresses Sandor Demcsak. We assume foreign loans and thereby we continually improve the state of our credit composition. We expand the proportion of intermediate and long-term bank credits representing greater security, while we pay maximal attention to variations in interest and exchange rates.

The presence of the bank on international money markets necessitates that it appear not only as the taker of loans but also as the grantor of credit abroad. In this branch of business, they made several million dollars in net profits by rotating under favorable auspices the capital put out in the labyrinths of interests and exchange rates. Day by day, the employees of the Hungarian Foreign Trade Bank spend long hours on the phones and by the telexes, they analyze the business reports from Reuter in order to achieve savings on the basis of some rapid decision made by them at the right moment.

And now we again are prying into the safe of some information the door of which could hardly be opened ajar. Recently, the bank received the assignment to release the overdue or frozen, older Hungarian credit balances in some of the developing countries which became insolvent. This is done primarily by organizing the import of goods. The active coordinator role proved to be successful so far: already the bank was able to purchase from these countries--with the inclusion of a few foreign trade enterprises--raw materials, foodstuffs and light industrial products valued at several million dollars.

#### Support to Business Work Partnerships

Finally, let us report on the most recent sphere of activity by the bank. Starting in mid-April, the bank is supporting those small tradesmen, business work partnerships outside of enterprises and business associations complete with rights of a corporation which are capable of offering goods well received on every market. In this case, those involved--with the bank's participation based on a special agreement--can also lay claim to certain capitalist imports out of turn. It involves the kind of support to small enterprises--stressed Director General Sandor Demcsak in this context--which not only promotes the establishment of a foreign trade balance but also creates healthy competition among the exporters to improve quality, expand selection and precisely fulfill the assumed obligations.



NEW CREDITS TO AGRICULTURE, FOOD INDUSTRIES CITED

Budapest MAGYAR HIRLAP in Hungarian 2 Jun 84, p 5

[Interview with Dr Pal Kiss, vice president of MNB (Hungarian National Bank) by Nandor Keresztenyi: "Credits for the Food Economy"]

[Text] Dr Pal Kiss was born in 1926 at Cegled and graduated from the University of Economics in Budapest. His first position was in the OSZH [National Cooperatives Credit Institute], and later he worked in the MSZHB [Agricultural Cooperative Credit Bank], and since 1954 in the MNB [Hungarian National Bank]. As a department head of the MNB he dealt with the credit applications of agricultural producer cooperatives, state farms, forest farms and food industry enterprises. His sphere of authority includes also domestic commerce since 15 February 1984, when he was appointed vice president of MNB.

Credit is one of the key terms of both the world and the Hungarian national economy, particularly since the last couple of years. As a matter of fact the concept is not new, we should only remember Istvan Szechenyi's famous work, but as a result of the crises of the past decade it has acquired new significance. The producer cooperatives and state farms are no exceptions, their managers have often complained about credit problems, all coop spokesmen and time and again people at the TOT [National Council of Producer Cooperatives] meetings have voiced such complaints. On the other hand it is well-known that the state and its credit organ, the MNB, have no longer the financial capacity of earlier years. What does this situation look like at present? This was the theme of an interview with Dr Pal Kiss, the recently appointed vice-president of the MNB by the correspondent of our paper Nandor Keresztenyi.

"Let me make a retrospective remark, as an introduction," says Dr Kiss, who is not a newcomer to agriculture since as manager of the MNB's agricultural department he had visited almost all farms of our country. "As it is well-known, last year's gross production of our large agricultural enterprises was similar to that of 1982. Yet within the global picture the discrepancies were substantial. The increase in the output of animal husbandry could alleviate but not entirely counterbalance the damages caused by the drought to our plant production. Thus the income of agriculture has declined, both profits and gross income have



decreased, substantial losses and financial gaps occurred. Thus the financial situation of the cooperatives and enterprises was not balanced last year, although the MNB provided them with much more working assets than in 1982. The motives behind the increase in credits were the additional expenditures and income deficits caused by the drought, the growing delays in the collection of outstanding export credits and the decline in prices on foreign markets. Delays in payments became more frequent although the total amount of credits for working assets in agriculture and the food industries grew by 9 percent, i.e. more than the rate of growth in production. Payment processes have slowed down during the year and the liabilities of buyers have grown. Yet both enterprises and cooperatives have settled their liabilities vis-a-vis the MNB in accordance with the credit contracts."

[Question] And what about 1984?

[Answer] With the credits we have granted to food production we want to improve the balance of our national economy, just as we have done last year. For it is obvious that agriculture and food industry are invariably playing a great role in the maintenance of that balance. This year's plans are known, the rains during the month of May have made a good contribution to the realization of our targets in plant production. Although large farms are the dominant feature of our agriculture, we care also about the household and auxiliary farms that are integrated by them. However, since industrial, commercial and service activities are playing a great role in the accumulation of capitals required for development as well as in supplies to the population, the MNB helps the growth of these sectors as well.

[Question] How much credit does Hungarian agriculture receive?

[Answer] Insofar as the--by the way restricted--investments are concerned, probably credits in the amount of 4.7 billion forints will be granted. This amount is identical with that of last year. On the other hand our farms and enterprises may account with more credits for working assets propel production and thereby improve the balance of our national economy. This means that we will be able to provide credits for such purposes, including the short term ones, which may exceed by a few percentages the 42 billion forints which was granted last year. Of course unrestricted issuance of credits is not the proper way of soothing or even eliminating the tensions that may arise in the marketing and production relations. In view of the bidding positions which characterize certain products, we have to pay increasing attention to the qualitative demands of the market. Further, needless to say, we have to do our best to collect all outstanding debts and to find solvent customers.

[Question] In the beginning of this year the economic regulators have been further tightened. What does this mean with respect to the granting of credits?

[Answer] In the first place I should perhaps speak about the purpose of the amendments in the regulators, since the credit policy of the MNB is related to this. Thus we should start out from the interest of our national economy: our GNP should exceed consumption and we should obtain a proper active foreign trade balance in order to keep our solvency. The changes in the regulator system, notably its income siphoning effect tend to transmit this objective to our

economic units, stimulating them to maintain and even increase their income and thereby to improve the productivity of their work. Well, I may say that during the first five months of 1984 the demand for working asset credits has increased by both the farming and the food industry enterprises. In this connection the MNB has set two goals, i.e. that the granting of credits should meet all justified demands for money, but that the credit allowances should not neutralize the pressure exerted by the regulators toward increased productivity. What does this mean in practice? Certainly credits on strict conditions. However this should not be a mechanically rigid policy. Credits should accelerate the rotation of money-merchandise-money. In this context granting of credits for marketable production and purchases is not being hampered in any way. This allegation is not at cross-purposes with the fact that the MNB urges the enterprises to sell their stocks as quickly as possible, except when the continuity of production or the conditions of domestic and foreign markets require some measure of stock-piling. Thus crediting promotes proper stock management and the sale of the products in Hungary as well as abroad.

[Question] We talk and write a lot about the so-called cereal program for which also the World Bank has granted credits. I think the MNB has also in this case a role to play....

[Answer] I already mentioned the importance of cereal growing. It involves products which are competitive even on international scale and have a particular significance for our national economy. At the same time these products constitute one of the most lucrative branches of the large agricultural enterprises and are thereby factors of the stability and indeed of the development of our national economy. Thus it is understandable that the medium-term plan of our agriculture is "cereal-centered." Within the coming five years the output in these plants should grow by 15 percent, reaching 15.5 million tons. In the pursuit of this goal we started in 1980 a so-called intensive cereal growing program, which will be implemented in various stages and which is supported by the MNB with significant amounts of credits. In the first two stages, namely during 1981-83, the MNB granted investment credits in the amount of 1.2 billion forints and in further course, based in part on a loan from the World Bank, issued a call to the farming and the cereal marketing and milling industry enterprises to participate in an open competition for credits. Insofar as the size of the credits is concerned, this means that the competing investors could last year count upon loans for a total of 1.4 billion forints and this year for 2.5 billion. In sum cereal producing is at present in the focus of the bank's credit policy, but this may also elicit some tensions. It is well known that because of the provisions concerning the utilization of our national income the investments into the food economy cannot be increased either. Thus credits must be kept on last year's level, while the increase in credits for cereal producing limits the possibility of crediting other areas of the development programs. Our remaining scope of credit granting provides us means and ways to finance investments that directly or indirectly increase the production of marketable and competitive goods as a first priority. Within our existing limits we pay particular attention to crediting melioration works and the most needed developments in farms which had been hit by the drought but are otherwise profitably managed.

[Question] Although we cannot have a complete grasp of the concepts of the next five year plan, some of the most important tasks of the next two or three years can perhaps already be described. May I hear something about this subject?

[Answer] Our point of reference may be that the role of the food economy in producing our national income and in keeping and improving our foreign trade balance will remain very important. However all this also demands that the per capita national income production should grow in the food economy. Insofar as the balance of our foreign trade is concerned, we should avoid letting the growing volume of our exports be intertwined with decreasing export lucrativity. In sum we drafted the development plans for the next two-three years with these ideas in our mind. With respect to the practical aspects of the projects let me briefly note that we plan large investments and reconstructions in animal husbandry and food processing, while our cereal production program will also continue. With the implementation of some of our projects in mind the MNB will shortly issue calls for competitive investment credit applications. We are looking forward to the reaction of the farms and enterprises to this. Our food economy should reach leading world standards in terms of productivity. This is the best guarantee of development and the only way to achieve it. Thus, in consonance with the other elements of the regulator system, the MNB considers this as one of its most important tasks in the coming years.

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## TABULAR SUMMARY OF CENTRAL PLANNING TOOLS

Warsaw RZECZPOSPOLITA in Polish 7 Jun 84 supplement REFORMA GOSPODARCZA  
pp 1, 2, 4

[Table prepared by Pawel Karpinski]

[Text] Table 1. Central Planning Tools (Comprehensive List)

<u>Planning Tools</u>	<u>Legal Basis</u>	<u>Comments</u>
<b>A. Prices</b>		
1. List of goods and services to which official prices are assigned and principles thereof	Law and Sejm resolution	Council of Ministers submits proposed list
2. Level of official prices, including those on: --basic means of consumption and services --basic means of production and services	Directive from Minister on Prices	On the basis of price policy assumptions defined in the Central Annual Plan
3. List of goods and services to which regulated prices are assigned and principles thereof	Council of Ministers resolution	Opinion of pertinent Sejm commissions is required
4. Contractual margin and official margin indicators	Decision of Minister on Prices	
5. Price freezing	Council of Ministers resolution	Used to counteract negative socioeconomic aspects
6. Temporary ban on price increases on specific groups of goods and services except for cases resulting from the action of factors not related to economic organizational unit	Council of Ministers resolution	As above

[continued on following page]

[Table continued]

Planning Tools	Legal Basis	Comments
7. Periodic, maximum indicators of growth of contractual prices on specific groups of goods and services	Council of Ministers resolution	As above
8. List of goods, on which in export and import accounting official prices are applied	Order of the Minister of Foreign Trade	In accordance with price policy defined in Central Annual Plan
9. List of goods and services on which an attempt will be made achieve price balance		In accordance with price policy defined in Central Annual Plan
10. Principles of arriving at substantiated costs	Decree of Minister on Prices	
B. Tax System		
11. Income tax rate	Law	
12. System of reductions in income tax, including those resulting from: --assigning profits for developmental purposes --assigning profits for stimulation of sales for export	Council of Ministers decree	In accordance with goals of Central Annual Plan
13. List of types of costs and losses deemed to be unjustified, increasing the tax base	Council of Ministers decree	
14. List of individuals exempt from income tax	Law	
15. List of individuals to whom an income tax rate other than the basic rate applies	Law and Council of Ministers decree	
16. Turnover tax rates and criteria for changing them during the course of the year	Minister of Finances directive	Turnover tax rates in justified cases can be changed during the course of the year
17. List of exemptions and reductions in turnover tax	Law	
18. Rate of tax on wages	Law	Reductions may be applied

[continued on following page]



[Table continued]

Planning Tools	Legal Basis	Comments
19. Real estate tax rate	Law	People's Councils on province level can reduce real estate tax rates May be applied in economically justified cases
20. Product and Organizational allowances and tax exemptions	Council of Ministers decree	
C. Subsidies		
21. List of products (groups of products) and services covered by product subsidies and size of subsidies	Budgetary law	
22. Product subsidy rates (percent or amount)	Budgetary law	
23. Organizational subsidies	Budgetary law	
D. Wages and Employment		
24. Structure of applied measures of production	Founding body decision	Actions to increase share of measure (net)
25. Formula for measure of net sold production and principles for calculating other measures	Minister of Finances order	
26. Factors correcting growth of remuneration exempt from charges to State Vocational Activization Fund	Council of Ministers decree Central Annual Plan	In accordance with preferences specified in Central Annual Plan
27. List of fields of production in which exempt thresholds (amount or percent) of growth of remuneration exempt from charges to State Vocational Activization Fund are applied	Council of Ministers decree and decision of Minister of Labor, Wages and Social Affairs	Applied with consideration to technical and organizational peculiarities
28. Additional exempt amounts of growth of remuneration not subject to charges to State Vocational Activization Fund	Decision of Minister of Labor, Wages and Social Affairs	Total amount of funds allocated for this purpose is defined in CAP

[continued on following page]

[Table continued]

Planning Tools	Legal Basis	Comments
29. List of types of remuneration excluded from charges to State Vocational Activization Fund	Minister of Labor, Wages and Social Affairs decree	
30. List of fields of production in which charges for growth of average remuneration can be applied	Decision of Minister of Labor, Wages and Social Affairs	Applied in cases justified by need for an increase in employment
31. Tables of rates of charges for growth of remuneration to State Vocational Activization Fund:	Council of Ministers decree	
--remuneration paid into operating-costs load --prizes and bonuses paid out of profit for division and principles for establishing and using remuneration reserves		
32. System of reduction in charges to State Vocational Activization Fund, including: --from economies in consumption of raw and other materials --from production for export	Council of Ministers decree	
33. Principles and objects of spending money accumulated in State Vocational Activization Fund	Law	The disposer of the Fund is the Minister of Labor, Wages and Social Affairs
34. Base pay rates and principles of their application	Council of Ministers resolution	
35. List of job positions and occupations which are most strenuous and in which there are labor shortages, for which higher base pay rates are applied	Decision of Minister of Labor, Wages, and Social Affairs	
36. Principles and scope in establishing plant remuneration systems based on the law dated 26 January 1984	Law and decision of Minister of Labor, Wages and Social Affairs	
37. Tax on remuneration, including: --table of charge rates --types of remuneration not subject to tax on remuneration		

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[Table continued]

Planning Tools	Legal Basis	Comments
<b>E. Supplies of Raw and Other Materials</b>		
38. List of fuels, raw materials and other materials and products covered by compulsory intervention	Council of Ministers resolution	Minister of Materials Management may reduce the list
39. List of purchasers for whom consumption of electric power and natural gas is limited and rates of additional charges for exceeding set limits	Decision of Minister of Materials Management and Minister of Mining and Power Industry	
40. List of types and fields of production covered by guarantees of supplies of raw and other materials subject to compulsory intervention	Council of Ministers resolution	In accordance with preferences specified in Central Annual Plan
41. Types and fields of production covered by priority allocation of raw and other materials not subject to compulsory intervention	Council of Ministers resolution	
42. List of central balances of energy, fuel, and raw and other materials	Council of Ministers resolution	Minister of Materials Management defines list of informational balances
43. List of construction machines and means of transport subject to distribution	Council of Ministers resolution	
44. List of commodities imported from second payments area [capitalist countries] subject to central financing	Council of Ministers resolution	
<b>F. System of Government Orders, Operational Programs and Direct assignment of Tasks</b>		
45. List of fields and types of production and their size, and operations covered by government orders, including --list of raw and other materials, coproduction elements and spare parts, --list of finished consumer products,	Central Annual Plan	Executors of government orders may take advantage of economic and financial preferences specified in CAP.

[continued on following page]

[Table continued]

Planning Tools	Legal Basis	Comments
45. [continued] --list of market products, --list of central investments and enterprise investments, --list of scientific-research tasks, applications, inven- tions and investments re- lated to the application of technical advancement, --export production		
46. Principles, procedures and criteria used in selecting implementors of government orders, including: --quality criteria, --efficiency criteria	Council of Minis- ters resolution	
47. Principles for supplying organizational units fulfill- ing government orders with raw and other materials and foreign exchange, including --guaranteed amounts of fuel, raw and other materials covered by compulsory intervention --centrally financed import	Council of Minis- ters resolution	
48. Operational programs - list of fields covered by operational programs and principles of their functioning	Central Annual Plan	Operational programs are covered by guar- anteed supplies
49. Adding tasks to enterprise's plan or assigning a task to enterprise outside the plan: --if essential in view of the country's defense needs --in case of natural disaster, --for purpose of executing international commitments --where state enterprise de- spite guaranteed supplies does not undertake fulfill- ment of government order or task ensuing from operational program	Law and decision of founding body	Assignment of task carries guarantee of means indispens- able to its fulfillment

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[Table continued]

<u>Planning Tools</u>	<u>Legal Basis</u>	<u>Comments</u>
G. Credit System		
50. Courses of banks' credit policy, including: --types of production and fields of activity supported by bank credits,  --preferences in area of access of turnover and investment credits	Sejm resolution	In accordance with preferences specified in Central Annual Plan
51. Interest on credits granted by banks depending on: --category of creditor, --type of credit, --purpose of credit	Directive from president of Polish National Bank	
52. Principles and criteria for establishing credit-worthiness	Council of Ministers decree	
53. Principles and criteria for converting part of turnover credits, granted by banks to organizations in the socialized economy, steadily involved in financing material components of the turnover assets of these organizations, including: --repayment schedules, --interest on converted credit	Council of Ministers resolution	
54. Principles of procedures aimed at improving management of a state enterprise and principles of bankruptcy procedures	Law	
H. Investment and Development		
55. Proportion of division of amortization between state budget and enterprise, including: --basic proportion of division, --list of fields partially or wholly exempt from amortization payments to budget --list of industrial sectors partially exempt from amortization payments to budget	Central Annual Plan	Enterprises for whom the founding body is the territorial state administration, make a division from the centralized amortization account



[Table continued]

<u>Planning Tools</u>	<u>Legal Basis</u>	<u>Comments</u>
56. Principles and amortization rates on fixed assets in organizational units of the socialized economy, including: --list of annual amortization rates	Council of Ministers decree	
57. Outlays for central investments, including: --size of yearly outlays, --investing directions in the sector-branch setup, --list of central investments --sources of financing (other tools influencing investment and development were discussed in previous points, e.g., government orders, credit system, income tax reductions etc.)	Central Annual Plan	In accordance with directions of structural changes
I. Technical Progress and Production Quality		
58. Principles of producing and using money in the Technical-Economic Progress Fund	Law	
59. List of percentage rates of allowances for Technical-Economic Progress Fund, including: --enterprises controlled by central organs, --enterprises controlled by territorial organs, --rates of allowances for Central Technical-Economic Progress Fund	Central Annual Plan	
60. List of government research and development programs	Central Annual Plan	
61. Range of economic preferences for producers of inventive designs and persons working jointly in their implementation	Law and Council of Ministers decree	
62. Principles and criteria for awarding quality symbols	Law	

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[Table continued]

<u>Planning Tools</u>	<u>Legal Basis</u>	<u>Comments</u>
63. Ban on production (sales) of products not complying with technical, utilitarian or quality requirements (other tools of influence on technical progress and production quality were discussed in previous points, including government orders, income tax reductions, etc.)	Decision of Minister of Domestic Trade and Services and Minister of Materials Management	
J. Foreign Trade		
64. System of foreign-exchange allowances, including: --principles governing use of funds obtained from foreign-exchange allowances, --criteria for designating size of foreign-exchange allowance rates	Council of Ministers resolution and decision of Minister of Foreign Trade	Enterprises co-producing in export production may benefit from foreign-exchange allowances
65. Foreign-exchange bidding, including: -- principles of organizing and obtaining foreign-exchange as a result of bidding	Council of Ministers resolution	
66. Principles and criteria for granting licenses to economic units for the conduct of foreign trade, including --conditions for competing for license	Law and decision of Minister of Foreign Trade	
67. Equalization account	Directive from Ministers of Finances and Foreign Trade	
68. Income tax reductions due to export sales, including size of reductions	Council of Ministers decree	
69. Reductions in charges for remuneration growth to State Vocational Activation Fund due to export sales	Council of Ministers decree	

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[Table continued]

<u>Planning Tools</u>	<u>Legal Basis</u>	<u>Comments</u>
70. System of prizes and bonuses awarded due to growth in export and improvement in its efficiency	Budgetary law and Council of Ministers resolution	
71. Exchange rate, including principles by which it is established and its amount (other tools relating to the promotion of export were discussed in previous points including government orders).	Council of Ministers resolution and order of the president of the Polish National Bank	

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CSO: 2600/1026

# FINNISH REPORTER EXAMINES ENVIRONMENTAL PROBLEMS

Helsinki HELSINGIN SANOMAT in Finnish 24, 25 May 84

[Article by Maija Virta: "Environmental Destruction Jolts Poland; Officials Criticized But Fault Also Seen in Public's Attitudes" and "Air Pollutants Wreak Havoc on Krakow's Prestigious Building"]

[24 May 84 p 25]

[Text] At the end of the 1970's Poland still presented itself in a certain reference book as a "vanguard country of environmental protection" in which the social order makes possible "the comprehensive development of modern, widely understood environmental protection."

Now the stress is different. Party leader Wojciech Jaruzelski recently told the central committee that just every fourth Polish dwelling is ecologically safe. At the beginning of this month a parliamentary committee noted that clear, first-class water still flows in under one percent of Poland's rivers.

Four areas of Poland--the Silesian industrial concentration, Krakow, the Gulf of Gdansk and the copper production district of Legnica--are declared to be in a state of "ecological catastrophe." The threat of this kind of catastrophe has been noted in 23 other areas.

Polish scientists have estimated the economic destruction caused by air pollutants in a year to be at least 175 billion zlotys, the damage of water pollution 400 billion zlotys. As a point of comparison it can be mentioned that Poland's expenditures for education, health care and social services were 445 billion zlotys in the 1982 budget.

## Krakow Among Most Serious

Poland's environmental problems, which became urgent in the 1960's but which have been openly discussed in public only since 1980, reach the most critical point, in many respects, in the ancient and memorial capital city of Krakow.

There is a lot of industry in Krakow and it is concentrated into a small area. In addition, due to the prevailing winds, the city suffers from the pollutants of the Silesian industrial district roughly a hundred kilometers away. The air in Krakow is contaminated worse than in any other city of Poland, and respiratory diseases are distinctly more common than elsewhere.

Part of the pollutants comes from behind the border in Czechoslovakia. Professor Jerzy Haber, deputy chairman of Krakow's environmental protection council, notes that across the border is indeed an area of cooperation within the framework of TEMA. Then he gives a short laugh and adds, "But for the most part the neighbors just pollute the environment instead of helping to eliminate the pollutants."

Perhaps water problems make daily life most troublesome for Krakow residents. The Vistula River, which flows through Krakow, is polluted here to the point of being unsuitable for drinking and for industrial use. The situation at this moment is so dismal that two-thirds of the cities in the Krakow region find themselves living almost without water from the waterworks; they get it only two or three hours a day.

The plight will still continue for a few years, until a new water main brings decent water from more distant regions.

#### Factory Closed

Krakow's environmental protection officials believe, in spite of everything, that the most difficult threshold, perception of the problems, has already been crossed. They consider the turning point to be the shutdown of Skawina's aluminum production plant, located near the city, some three years ago.

The plant's electrolysis division released 2,500 tons of fluorine into the surroundings annually, which was at that time in Krakow the worst ecological threat to people and buildings, according to expert opinion. Another source of fluorine, the Lenin Steel Factory right on the outskirts of Krakow in Nowa Huta, managed to reduce the emissions with improved equipment from hundreds to tens of tons a year.

An extensive restoration program, by which they are trying to make the region arable again, has been started on the thousands of hectares of polluted land in Skawina.

"The Skawina case proved to people that there exists a certain limit imposed by our health, a limit we cannot exceed," said Bronislaw Kaminski, director of Krakow's environmental protection office.

#### Three Power Centers

Krakow is one of Poland's centers of science and, in general, independent thought. The environmental protection arrangements are also original here, explains Kaminski.

He himself represents the city's administration and indirectly the government of the country. A counterpart is Krakow's ecological club, established about four years ago, to which belong scientists, journalists and environmental protection devotees.



In Kaminski's opinion the club is a mouthpiece of social opinion. He characterizes its views as often very radical but, on the other hand, somewhat superficial, immature in their content, and many times economically impossible.

In a way, between these two is situated still a third side, Krakow's environmental protection council, which is a group of experts subordinate to the mayor. According to Kaminski, it is the one which ends up seeking a practicable middle road, a realistic combination of demands and possibilities. Interaction of the three different centers has produced good results, says Kaminski.

#### Public Criticism

Recently Poland's state environmental protection organization and its methods have been soundly criticized in public. People complain that the country lacks a precise program of action for the entire nation. A few years ago the planning commission specified Poland's three fateful issues for the period 1986-1990: food, housing and restoration of the ecological balance. For the first two there is already a detailed program of goals; for the latter there is not.

It is also said that practical surveillance, prevention and punishment of environmental destruction are on a weak foundation. In the country 1,066 production plants specified as detrimental to the environment are operating; precise upper limits of noxious emissions have been imposed on only half of them, and in a couple of hundred plants there is not one worker in charge of air protection.

A production plant which damages the environment can be given fines, but they are frequently so small that the plant prefers to pay repeatedly rather than obtain costly purification equipment. Nor, as things now stand, do the fines effectively influence the personal earnings of the culprits. Moreover, the critics suspect that the courts of law have sometimes yielded to the pressure of industrial circles, when prosecution cases collapse "because we were unable to find the offender" or "the damage to society was insignificant."

Professor Haber believes that the best method of clarifying responsibility would be to immediately include the environmental protection outlay in the production costs--or acknowledge that nature has its price there just as raw materials do. However, the development of such calculations to a practical level takes many years, and, for example, determination of the monetary value of damage done to productive capacity and human health is very difficult, he admits.

#### Defects in Common

When the human motives for ecological indifference and environmental destruction are analyzed in Poland, those attitudinal defects are considered most dangerous which have in their grip both producers and consumers.

An article written by three scientists for the newspaper POLITYKA enumerated a few weeks ago several such pernicious myths: the inexhaustibility of natural resources, the strengthening of the nation by further increasing heavy industry and by stimulating population growth, and reaching for a consumption level on the American model.

The eyes of the so-called technobureaucracy, which makes important decisions in economic life, are blinded, in the authors' opinion, by a peculiar "exhibitionism": no matter what the price, there is eager pursuit of records of achievement, colossal things, unexpected accomplishments. Large planning offices in charge of authoritative schemes have become autocratic like the principalities of feudal times.

The authors suggest--along with enlightenment and attitude training--broadening the supervision of environmental protection to include the public. They urge the establishment of strong ecological associations of citizens and encourage the self-governing organs of workplaces to become involved in the shortcomings they observe.

Stefan Jarzebski, director of the just recently established environmental protection office and Poland's highest environmental protection official, has estimated that the increase of environmental destruction caused by industry might be brought to a halt in Poland by the year 1995.

"Minister Jarzebski is known to be a born optimist," comments Professor Haber. He himself is content to believe that in the next few years it is possible to prevent expansion of the true ecological state of catastrophe outside the current four areas of crisis.

[25 May 84 p 20]

[Text] The Boner stone house is situated on Krakow's most significant site, on the edge of the old and charming main marketplace. Above the house's narrow, rose-red facade rises, like a crown, a white Renaissance attic delicately ornamented with gray and reddish flowers of stone, one of the finest representatives of its kind.

But around the old Krakow stretches the Krakow of industry and behind it, Silesia with its mines, its smelteries, its power plants. The pollutants they spew have, in twelve years, ravaged the patiently conserved attic of the Boner house so badly that new restoration is inevitable.

In six years the roof tiles of the Mloszowy Palace eroded to the point of uselessness. The copper roof of Saint Barbara's Church began to blacken in just half a year.

#### On UNESCO's List

In 1978 the United Nations' cultural organizations UNESCO included Krakow on a list which specified the twelve most valuable historical aggregates of nature and human culture in different parts of the world.

In Krakow's old center, which was spared to a considerable degree in the Second World War, there are over 900 edifices which date from the Middle Ages on an area of 1-1/2 square kilometers. Krakow was Poland's capital city up to the beginning of the 1600's and the coronation site of kings for a long time after that, too. Toward the end of the Middle Ages it was one of Europe's most important cultural centers, and its university is the second oldest of our continent.

Counterforces to the historical merits are also powerful. Krakow and southern Silesia are only about four percent of Poland's surface area but they turn out 25 percent of the entire country's industrial production, and one-third of the coal burned in Poland is consumed in their area.

Whereas in Warsaw each year roughly 50 tons of pollutive dust and gases per square kilometer are discharged into the air, in Krakow the amount is six times that.

Stone, metal and ceramic material like tile, which are out in the open air, are damaged worst of all by sulfur dioxide and fluorine but also by oxides of nitrogen and carbon, as well as by tar. Sulfur dioxide is said to corrode stone on the average 0.25 millimeters a year; that means in ten years one-fourth of a centimeter, which is enough to deface statues and ornaments. The gases, especially hydrogen fluoride, accelerate the process manyfold.

An extreme case occurred in 1974. At that time, portions of the ornaments and building elements, carved from black marble, of the old royal castle Wawel were destroyed in 12 hours when the Skawina aluminum plant released into the air accidentally fluorine many times stronger than usual.

#### Gas Heating Advances Slowly

In contrast to the attitude of Krakow, however, pollution prevention has remained a very important relief. Nuclear problems have not, strictly speaking, been solved. The decision has been made to implement only partially the city's changeover from pollutive coal heating to gas heating, and that part, too, over a long period of time. Modernization of factories and acquisition of purification equipment cost such enormous sums that the economic crisis seems to postpone them far into the future.

Research on pollutant sources is just one front in the fight to save Krakow's historical treasures. The damage done should also be corrected.

Krakow's restoration bureau has estimated that repairs should now be made on altogether 4,976 buildings, if one wants to prevent the birth of irreparable damage. A good one thousand of these spots are "in tragic condition." They must be thoroughly renovated from foundations to roof.

The dimensions of the task are shown by the fact that after the war up until the year 1981 full restorations were made on just 375 buildings.

In addition, the circumstances are in a way more disadvantageous now than in 1981. The economic crisis has reduced the funds allocated for restoration. The social crisis has diminished public interest in the fate of old buildings and artistic creations; it has been useless, for instance, to ask youth organizations for participatory help. The economic reform just now set in motion has driven business firms to strive after profitability no matter what the cost, which weakens their inclination toward investments which conserve the environment.

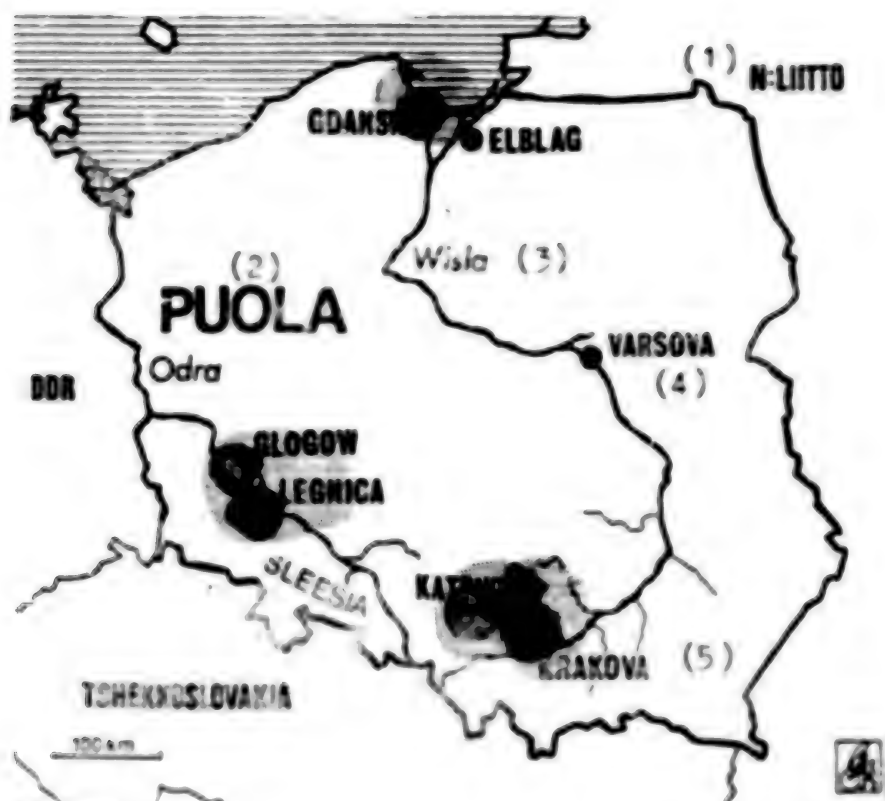
Still another extraordinary situation retards restorative work right now. There is, as a matter of fact, more money than can be used, because there is a shortage of special equipment and skilled labor. The artisan trades have declined to such a degree that Krakow's restorers have for help, on the average, only two qualified bricklayers for every hundred heating furnaces.

#### Work Offered to Restorers

On the edge of the main marketplace, where three houses are just now under repair, there is a display of recruitment advertisements nailed to the protective fence. In them, bricklayers, painters and carpenters are being sought immediately for work; those willing are promised high-standard dwellings, direct transportation to the workplace, free instruction and, to top it all off, the possibility of getting onto a work crew abroad. Polish restoration skill has a high reputation in the world.

There are enough zlotys for repair work for this reason: both industry and the officials of the rest of the country seem to prefer, instead of environmental protection investments, to buy themselves a clear conscience by making a donation to the restoration fund.

On the other hand, Western currency is badly needed. Making UNESCO's list brought Krakow a miserable 77,000 dollars, which was used up for research laboratory equipment. Collections were also organized abroad, and, of course, Polish-born emigrants participated in them most enthusiastically, but the collection returns are reduced at present entirely to safeguarding the Wawel castle complex from fire and burglary.



Four of Poland's most badly polluted areas have been declared "in a state of ecological catastrophe." The largest rivers, the Vistula and the Oder, have been contaminated almost entirely.

Foot

1. Soviet Union
2. Poland
3. Vistula
4. Warsaw
5. Krakow



## **SZYMON KOBYLŃSKI**



### **Już mamy DAY AFTER**

The Day After is already here. (Szymon Kobyliński's drawing in the Polish newspaper POLITYKA).

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CSO: 3617/164

ECONOMIC COOPERATION AMONG SOCIALIST COUNTRIES

Bucharest REVISTA ECONOMICA in Romanian No 21, 25 May 84 pp 24-25

[Article by C. Toma]

[Text] The building of socialism, as a new mode of organization of society and of relations among nations, is achieved by the people of each country. The formulation of the political line, of the forms and methods for completing this process on the basis of the general laws of the socialist revolution and socialist construction is an exclusive attribute of the party of the working class in the socialist country involved.

Formation, Development of Socialist Countries' Economies

The transition of humankind from capitalism to socialism -- an outcome of the development of human society -- constitutes the content of an entire historical era, characterized by the successive breaking away of some countries or groups of countries from the capitalist world and their going over to socialism.

The diversity of specific socioeconomic and political conditions, the peculiarities and historical traditions of each country generate a wide gamut of forms of transition to socialism, new concrete modalities, experiments and solutions in building the socialist society. Essential to socialism are the nature of political power and of relations of production, the transfer of state power into the hands of working people and establishment of socialist ownership of the main means of production, elimination of exploitation of man by man, implementation of the socialist principles of distribution. These changes demonstrate the superiority, the strength and vitality of the new system.

Socialism impacts the course of historical development in indissoluble linkage with the other revolutionary processes and forces of the world, and the progress made by the socialist countries continuously reinforces the might and influence of socialism in the world.

Overcoming difficulties which are inherent in a project as vast as building a new society, the peoples of socialist countries have obtained outstanding successes in the area of creation and expansion of the technical-economic base, of new relations of production, in the progress of science and culture, in improvement of the quality of the people's life, and so forth. The socialist countries have obtained rapid rates of economic development, ones that are superior to average world rates, and also to ones in developed capitalist countries. In most socialist countries industry has become the principal branch of the national economy and agriculture is developing on modern bases. In socialist countries major rises have been obtained in terms of labor productivity and national income and the standard of living of working people is improving on a regular basis.

The achievements obtained by socialist countries have resulted in the modification of the place and role of socialism in the world, have generated an increase in its influence on the course of the historic development of mankind. While prior to World War II socialism had triumphed on 17 percent of the area of the world and covered about 9 percent of its population, today it accounts for more than a quarter of the territory and about one-third of the earth's population. The input of socialist countries into the world industrial production went up from 20 percent in 1950 to about 40 percent now.

By building socialism in its own land, each socialist country is instrumental in strengthening and developing socialism on a world plane. Moreover, there is an upgrading of relations among socialist countries, relations which, in their turn, powerfully impact on mankind.

#### Basic Principles of Economic Relations Among Socialist Countries

The assertion in more countries of socialism as the socioeconomic system created objective conditions for promotion among socialist countries of a new, superior type of interstate relations, that are without precedent in history. The new type of economic, political, cultural and other relations among socialist countries is of a nature to promote the progress of each country, to increase the might, prestige and influence of socialism in the world. The relations among socialist countries must be a model of respect and mutually advantageous cooperation, must provide an example of relations to all states in the world. The principles that must underlie the new type of relations are: the principle of full equality of rights of all the states, respect for national independence and sovereignty, noninterference in domestic affairs, mutual benefit and mutual aid. All these principles are indissolubly intertwined, they form a unified entity. Violation of one or another of these principles affects the other ones. Strict observance of each individual principle and of their totality assures the integrity and development of relations among socialist countries as a whole.

The Romanian Communist Party, the Socialist Republic of Romania work firmly for the expansion of cooperation with all socialist countries, on the basis of the above-mentioned principles, for the strengthening of their solidarity and settlement of existing differences. Life has demonstrated that contradictions and differences may arise even among socialist countries; they must be settled by means of negotiations, in light of the need for strengthening cooperation, the unity of socialist countries, of enhancement of their role in international life, of increase in the prestige of socialism in the world.

#### Forms of Economic Cooperation Among Socialist Countries

In the context of relations among socialist countries their economic cooperation is an important factor. It has developed and improved continuously as the economies of socialist countries have developed and diversified and their experience has accumulated. By means of economic cooperation the socialist countries can resolve many of their problems of socioeconomic development, of socialist construction and improvement of their peoples' well-being, without, however, countering the international division of labor.

Economic cooperation among socialist countries is developing both on a bilateral and multilateral basis, under agreements between states and through some international organizations. In the bilateral context of relations among socialist countries, the role of high-level party and state meetings has increased, joint intergovernment economic cooperation commissions were created and their activity has continuously improved, the practice has expanded of concluding long-term agreements with, together with annual protocols and other instruments, provide a stable foundation for expanding and diversifying economic cooperative relations.

In developing multilateral economic cooperation an important role is assigned to the Council for Mutual Economic Assistance [CMEA] founded in 1949 by representatives of socialist countries. CMEA is aimed at helping, by united and co-ordinated efforts, the growth of the national economy of all member countries, acceleration of their industrialization rates, continuous increase in labor productivity, constant improvement in the well-being of peoples in member countries, gradual nearing and evening of their economic development levels. According to the Statute of CMEA, its activity is based on independence, sovereignty, equality of rights, respect for national interests, mutual benefit, mutual assistance among CMEA countries. CMEA is not a supranational organization, one of directive; its decisions and recommendations may be adopted only with the consent of member countries and do not extend to the countries that declare themselves not interested in the problem involved. The recommendations then are submitted to examination of the governments of member countries, the only ones capable of deciding on acceptance and implementation of these decisions. CMEA is not a closed organization, it may be joined by other socialist countries and other countries that display interest and share its principles and aims.

The 25th Session of CEMA, held in Bucharest in 1971, adopted the "Complex Program for Further Expanding and Perfecting Cooperation and Development, for Socialist Economic Integration of CEMA Member Countries," which specifies the directions, the concrete avenues and methods for developing economic and technico-scientific cooperation among socialist countries over a longer period. The aim of the process of expanding cooperation is to help the continuous development of productive forces, attaining a high technico-scientific level, creating a modern, highly efficient structure of the economies, gradually evening up the levels of economic development, upgrading the well-being of the people in each country. For the further development of cooperation among CEMA member countries our country considers that it is necessary to make certain improvements in the activity of CEMA, so that mutually beneficial collaboration and cooperation may permit the member countries to jointly resolve a number of problems of socio-economic development, of successful construction of socialism. As pointed out by Nicolae Ceausescu at the National Conference held in December 1982, now "we must focus on seeking solutions for better satisfaction of the needs of member countries for energy, fuel and raw materials, achievement of a specialization and cooperation in production for the purpose of fuller use of the production facilities created and reduction of investment costs in one or another sector." The upgrading and improvement of collaboration and cooperation within CEMA framework must comply with the new requirements, must ensure the development of socialist construction in the socialist countries and the broader participation in the international division of labor.

The expansion of mutual economic relations among CEMA member countries occurs concurrently with the further development of bilateral cooperation with the other socialist countries. The development and upgrading of economic cooperation among socialist countries contribute to the independent development of each national economy, are examples of mutual respect and mutually beneficial cooperation, provide an example of relations to all the states in the world.

The chief forms of economic cooperation among socialist countries are:

a. Coordination of the plans of the national economies of socialist countries is achieved on the basis of bilateral and multilateral understandings. Each socialist country formulates its own economic plan, in compliance with the specific-historical tasks which it must complete, in accordance with its resources and potentialities. Because the development of each country also is influenced by its participation in international economic relations, each socialist country is interested that in the process of formulation of its plan it should take into account the advantages of economic cooperation with the other countries, primarily with the socialist countries. In the process of finalization of its own plan, each country conducts negotiations with the representatives of the other countries, examines the areas of cooperation and then concludes agreements on trade, specialization and cooperation in production, granting of credits, and the like. Romania coordinates her plans for socioeconomic development with both CEMA countries and with other socialist countries.



b. Foreign trade with socialist countries mainly involves development of a broad exchange of goods among these countries, for the purpose of meeting the needs of each country and achieving high efficiency. It is planned and based on mutually beneficial medium-term and long-term trade agreements. In trade relations among socialist countries a major problem involves ensuring mutually advantageous prices and prices that are stable for a relatively long period. The volume of trade exchanges among CEMA socialist countries went up during the 1950-1983 period by a factor of more than 25, and that of CEMA countries with the other socialist countries, by a factor of over 15. As a result of the rapid development of our national economy, the volume of foreign trade of Romania with all socialist countries rose during the same period by a factor of 74, with trade with the Soviet Union having the major volume.

c. Specialization and cooperation in production is an important form of cooperation among socialist countries, which is particularly dynamic and continuously diversifying. On the basis of mutual benefit, it must ensure the more rapid growth and the harmonious development of each country, greater efficiency. For instance, specialization in terms of products or subassemblies helps to raise the technical level of production, encourages better utilization of production facilities and of natural resources, the fuller and more efficient utilization of the work force, the increase in labor productivity, the improvement in product quality, greater competitiveness on a world scale and so forth. Economic and technical cooperation are very important for the development of the national economies of socialist countries, for the fuller satisfaction of the needs of the national economies of socialist countries and of the population, promote the participation of socialist countries in the international division of labor and permit the establishment of relations of direct cooperation based on agreements, conventions, contracts and the like, among the parties concerned. Of great importance is specialization and cooperation in the production of machines and installations for the metallurgical, chemical and textile industries, construction, transportation, and so forth; successfully expanding are specialization and cooperation in the production of the newest and most up-to-date branches, such as the electrical engineering industry, the automation industry, and so on. In light of the advantages provided by specialization and cooperation in production, our country works to expand this form of cooperation with all the socialist countries.

d. Technicoscientific cooperation aims to promote technical progress in all fields, to develop scientific research and make best use of its results in the countries that are involved in this form of economic cooperation. It is achieved by mutual exchange of experience in the area of science and technology, exchange of scientific, technical and production documentations, coordination and cooperation in the area of scientific and technical research, by reciprocal training of personnel, and so forth. In view of the importance of this form of economic cooperation for the more rapid progress of each socialist country, for the cause of socialism and peace in the world, our party and state take action for its continuous development.

e. Financial-foreign currency cooperation and granting of credits is achieved both within the bilateral framework and through international economic bodies of CEMA socialist countries, such as the International Bank for Economic Cooperation and the International Bank of Investments. In the relationships among socialist countries, granting of credits proceeds in a mutually advantageous context, on a short-term, medium-term or long-term basis and at a low interest rate. A form of crediting involves building, by joint efforts, economic facilities, owned by the state on whose territory they are built, with repayment of the credit stipulated to be made through deliveries from the production of the facilities involved or other products.

Romania is concerned with and intensely works for the upgrading of the existing forms of economic cooperation and also for seeking new mutually beneficial forms of economic cooperation among socialist countries.

In the context of the process of development of socialist countries and of economic relations among them, an aim pursued, as an important objective, involves nearing and relative evening of the levels of economic development of socialist countries, an objective historical process of eliminating the unfavorable economic lags which some countries have inherited from capitalism. Elimination of the economic gaps among socialist countries is a requirement of socialist construction and of expansion of economic cooperation among socialist countries, of strengthening the unity of these states and building a new type of international economic relations. Assessment of the economic lags of countries and their reduction is made by means of indicators such as: size of the social product and per capita national income and their structure, the level of labor productivity and of economic efficiency, the standard of living of the population, and so forth.

Because the process of evening proceeds in the context of the development of all socialist countries, the less developed countries must ensure economic growth rates that are higher than those of developed countries. The process of gradual evening of the level of economic development of socialist countries involves on the part of each country that must do away with the lags a planned and systematic drive of efficient mobilization of material and human resources, assignment of a greater part of the national income to development, efficient utilization of all domestic forces and means according to the basic goals set by each party in each socialist country. Moreover, a greater contribution must be made by the economic cooperation among socialist countries, because the progress of each country also is influenced by intensive participation in the international exchange of values, in the international division of labor.

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NEED TO STRESS INTENSIVE INDUSTRIAL DEVELOPMENT

Bucharest REVISTA ECONOMICA in Romanian No 21, 25 May 84 pp 7-8

[Article by Prof. Dr. G. Petrescu]

[Text] In the years of socialist construction, an era inaugurated by the memorable event of 23 August 1944, Romania has covered several stages of development, marked by profound revolutionary changes, by outstanding successes obtained in all areas of endeavor. The period with the greatest achievements involved and continues to involve the years after 1965, essentially characterized by a brilliant political concept on the country's development, formulated with the decisive input of party secretary general, the President of Socialist Romania, Nicolae Ceausescu. Consequently, a powerful technical-material base has developed, against the backdrop of continuous modernization of productive forces and a continuous process of upgrading of relations of production. Foreign economic interchange has diversified and expanded. Romania now has economic relationships with more than 150 states. The national income has increased and, on this basis, there has been a rise in the standard of living of all the people, with Romania turning from an agrarian, underdeveloped country, into an industrial-agrarian country capable of further achieving a balanced economic growth.

The results obtained in these years are pointed out by the major indicators that characterize the country's socioeconomic development. For instance, during the 1971-1982 period alone the national income went up by a factor of more than 2.5, the industrial output by a factor of about 3, and agricultural output by a factor of almost 1.8, in 1982 the real incomes of the population were several times higher than they were in 1970. There was a tremendous development of science, education and culture, and of health care activities.

The major objective in this decade, set by the 12th Congress of the RCP, involves Romania's transition to a new stage of development, among the countries with a medium level of economic development. Romania's transformation into a country with medium level of economic development and the shortening of the gaps in relation to developed countries are objectives that are inextricable

part of the uniform strategy of building a multilaterally developed socialist society and Romania's advancement toward communism, a strategy that involves profound revolutionary changes in all areas: economy, production, science, culture, education, organization and management, laws, and so forth.

On a long-range basis, Romania's economy, which is preponderantly industrial-agrarian, must be founded on a powerfully developed, modern and highly technical industry, on a highly productive agriculture. The decisive role of the dynamism of our economy under this five-year plan is tied to the enhanced role of the qualitative, intensive factors of development: rise in labor productivity; cut in materials expenditure; continuous increase in industrial and agricultural output; maximum capitalization on Romanian products on the world market; greater rise in the domestic base of energy and raw materials and better utilization of these resources and of agriculture as decisive sectors for building a multilaterally developed socialist society.

The switch to intensive development in all areas is an objective requirement of Romania's transformation into a country with medium level of development, which mandates the further quantitative and qualitative growth of physical output, of the national income, of the technical-material base, thereby the creation of the resources for further improvement of life.

#### Complex, Realistic Strategy

In an economic configuration which on a world scale is characterized by recession, stagnation or much reduced growth rates, Romania is one of the few countries that can plan -- and obtain -- appreciable economic development rates, despite the world economic crisis and the neutralization, on a world scale, of a large part of the productive capacities and work force. Hence, the Romanian economy preserves its dynamic character, of continuous progress, the only one that is able of ensuring rising material and spiritual standards of working people.

This dynamism of the Romanian economy is characterized by the uniform, harmonious development of all the socioeconomic areas, with the paramount effort focused on the development of the productive forces, by way of industrialization, building of an intensive agriculture, the qualitative growth of the economy, the increase in economic efficiency, decisive directions for going beyond the stage of developing country. The documents adopted by the 12th Congress and the National Conference of the party outline the guidelines to the modernization of the economy, to the creation and perfection of a powerful national economic complex, in which the development of industry, the modernization of its structures should lead to obtaining superior yields and productivity rates.

In the process of modernization of industry, special attention is paid to completion of programs for the more rapid expansion of the domestic base of energy

and raw materials, with priority emphasis on reducing imports. The processing industry is developing and will continue to develop by adopting new technologies that ensure better utilization of raw materials and supplies, with corresponding reshaping of the criteria of maximum reduction of energy consumption rates, by more efficiently using the production facilities and obtaining quality, competitive products in international interchange.

Agriculture must achieve an ampler development, harmonized with industry's, a development in which increase in efficiency and productivity is of special importance. Moreover, let us note that accomplishment of a modern structure of the economy involves that, in addition to the "primary" and "secondary" sector, amply developing should also be the "tertiary" sector -- services. All these programs designed to upgrade all the economic life by achievement of new structures and modernization of existing ones are taking place in the context of a corresponding optimization of the distribution of the national income between the fund for consumption and the fund for development and of increased efficiency of all production activity. Furthermore, the modernization of economic structures entails greater input of scientific research into promotion of technical progress, into resolving technical and technological problems which the enterprises are facing, into better utilization of basic and secondary raw materials and materials that result from the prior production process. Under the eminent leadership of academician Dr. Engr. Elena Ceausescu, world-reputed scientist, domestic research is providing a greater and greater, decisive input into the achievement of the progress of the Romanian economy.

Proceeding from the concept of the RCP, of its secretary general, on the decisive role of accumulation for the country's socioeconomic development, under this five-year plan and on a long-range basis, the input of the fund for accumulation required for the rapid development of the economy will be about 30 percent of the national income, with the emphasis placed on the economic efficiency of accumulation, of investment projects and on the intensive use of existing fixed assets. In this regard, party secretary general Nicolae Ceausescu pointed out: "Our socialist society, like every society, must permanently assure the means for extended reproduction, an ample accumulation -- the basis of the development of the productive forces, of the overall civilization level of the country." A telling proof of the mobilization of the efforts of the entire economy to ensure a rapid development is provided by the fact that in 1982 the total volume of the fixed assets amounted to more than 2,190 billion lei, with 80 percent of them put into operation in the last 15 years.

In the area of investment projects, the main characteristic of the 1981-1985 Five-Year Plan, subordinated to the need for switching to intensive development, involves appropriation of funds mostly for raising the technical and qualitative level of the existing economic potential, with supplementing equipment in some sectors, upgrading the use of facilities from investment projects achieved in prior years and less for creation of new units, in compliance with the needs and priorities of economic development. A large amount of investment



funds was assigned to the branches that turn out working materials and energy, agriculture and silviculture, transportation and telecommunications. During the 1981-1985 period, more than 1,200 new facilities were put up or will be put up and about 1,100 major industrial units will be modernized, and in agriculture new 375 facilities will be created. The chief task in investment projects is shortening the construction cycle so that the investment efforts may become productive in the shortest possible time. In this area a special input is provided by the research, design and construction units for shortening the period that elapses between the point of commencing the studies on the new technologies and the commissioning of the new facilities or modernization of existing ones.

The orientation, in this decade, of the investment fund as material support of the multilateral progress of socioeconomic development is indissolubly tied to the economic efficiency of investment projects; the increase in the efficiency of investment projects primarily involves thorough preparation of completion of investment projects, reduction in the volume of construction-assembly operations, standardization of construction and of construction sections, strict rating of the construction cycle for investment projects, and so forth.

The best possible utilization of production facilities, of fixed assets, attainment of the planned technicoeconomic parameters now are essential facets of industrial development. For instance, the only 1 percent increase in the efficiency of fixed assets, at the economic level of 1985, assures a rise of 8 billion lei in the national income -- an income for the obtaining of which almost 3 percent extra accumulation fund would be needed.

#### Economic, Industrial Structures Capable of Ensuring Great Efficiency

The modernization of the national economy is a permanent process with multiple and profound ramifications for the country's socioeconomic progress. In this regard special attention has been paid to improving the technical standard of products, in compliance with requirements on the world market, to better utilizing the country's material and human resources, to advancing the technological level of all output, to upgrading production technologies in all the economic branches, to increasing the profitability of production and of all the economic activity for the more rapid rise in the national income and the well-being of all the people. In all these areas there are nationally formulated and adopted programs, with detailed objectives and responsibilities.

Industry plays an outstanding role in the national economic complex, as a basis for the development of the other branches of activity and primarily, of agriculture. Moreover, as a branch that generates, carries and propagates technico-scientific progress, industry itself is subjected to a complex process of modernization and diversification based on the most advanced technology, in accordance with the overall needs of the economy. The focus has been on a re-structure of industry in light of the major requirements of the technical and

scientific revolution and the need for achieving a balance between the processing branches and the base of energy and raw materials. Special emphasis is placed on priority development of sophisticated and highly efficient branches and subbranches, with lower consumption rates for raw materials, supplies and energy, with a high level of utilization of material resources, that incorporate complex work, characterized by superior technical skill. For instance, in the future, for achievement of superior use of metal, special emphasis will be placed on ampler development of the production of special, alloy and high-alloy steels, the production of cold-rolled, electrotechnical, tinned sheets and strips, out of stainless and refractory steel, on development of electronics and microelectronics, of means of automation and control of production processes, machine-tools, fine mechanics, optics and hydraulic and pneumatic equipment, and so on.

By and large, the production of the machine building industry is ensuring and will need to further ensure 80-85 percent of the machines and installations required for the investment program; it is necessary to deliver exportable products of a value double that for the prior five-year plan. In the chemical industry, the level of processing of oil, methane gas and other raw materials will rise, new products will be turned out from plastics, and fine chemical production and production of special materials for electrical engineering and other sophisticated fields will expand. As a result of promotion of the policy of modernization of the economic structure and expansion of the base of raw material and energy, by the end of this five-year plan Romania will cover from domestic resources all the use of primary energy, most of the needs for coal, metallurgical coke, rolled products and pipes, 80-90 percent of the needs for lead and zinc, 100 percent of the needs for aluminum, and so on.

The building of a multilaterally developed socialist society can be achieved only by superior efficiency in all spheres of activity. In the concept of the Romanian Communist Party, of its secretary general Nicolae Ceausescu, economic efficiency is a major, intrinsic factor of the overall economic progress, which specifically involves: rise in labor productivity, in profitability, rise in the efficiency of investment projects and utilization of fixed assets, reduction of materials expenditures, improvement of product quality and greater efficiency of foreign trade.

Of paramount importance for the rise in the country's socioeconomic level is the increase in labor productivity. Important rises in labor productivity are anticipated on the basis of superior organization of production and work, continuous improvement in workers' skills, in the training of all cadres. Moreover, measures will be taken to expand technological progress, mechanization, automation and computerization of production, acceleration of the process of renewal of products and technologies, so that in the ensuing years we may considerably near the industrialized countries in terms of labor productivity level.

Reduction of costs with raw materials, supplies, fuel and energy is for the Romanian economy an objective and vital requirement for economic growth, a paramount objective in the long-range development of the economy. As the Romanian industry has important reserves for reducing relative consumption rates for materials and energy under the 1981-1985 Five-Year Plan, there was specified a 5.5-6 percent decrease in the proportion of materials expenditures in the social product, so that these expenditures may in 1985 average 55.5 percent. Only one percent of reduction of materials expenditures in 1985 will equal a 17-18 billion lei increase in the national income. The main avenue to cutting materials expenditures involves reduction of physical consumption rates for metal, fuel and energy, by arrangement for the production of new, redesigned, resized items, integration of new and modernized technologies, standardization and scientific rating of production, and so forth. For instance, measures were taken in this regard to reduce the use of primary energy and electrical energy for each 1 million lei of industrial output, to integrate metal consumption rates in scientifically formulated standards, so that in the 1981-1985 period the index of primary energy use in industry may be reduced 21 percent up to 23 percent and for the entire 1981-1990 period it may decrease at least 40 percent.

Recovery and reuse of materials, parts and subassemblies and their reconditioning also involve important avenues to saving material resources. It is planned that this program will help to meet 40 percent up to 50 percent and even more than 50 percent of the needs for raw materials and supplies for domestic use. All these measures aim at greater utilization and higher processing of raw materials and obtaining of products with superior economic value, that incorporate a modern technological concept and highly skilled manpower. To this end, under the 1981-1985 Five-Year Plan, the index of utilization of raw materials and energy, calculated in terms of the value of marketable output, will go up 35 percent for the overall industry.

Another important avenue to increasing the efficiency of all the activity involves the restructure of the branches of industrial production, in accordance with the objectives of economic development in this decade and with the requirements of modern technical-scientific progress and also in light of the ramifications and impacts of the world economic crisis. In line with the provisions of the programs adopted, the 1981-1985 period will see arrangements for the production of new items and materials so that in 1985, based on these, we may turn out 45 percent of the marketable output of processing branches in the national industry.

Concurrently with expanding the productive forces, our party and state take firm action for the upgrading of the entire system of relations of production, for the continuous qualitative improvement of management and planning activities, so that these activities, by better functionality, may assure the multilateral progress of society. In the concept of our party, of its secretary general Nicolae Ceausescu, the multilateral assertion of human individuality,

the improvement of the material and spiritual standards of all the people represent the supreme reason of the efforts devoted to the material and spiritual progress of our society. Precisely therefore, the guidelines and options, the programs for enhancing the intensive factors of development are designed to assure new and major resources for the continuous rise in the well-being of working people.

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## 'DRASTIC MEASURES' NEEDED IN LIVESTOCK INDUSTRY

Bucharest REVISTA ECONOMICA in Romanian No 21, 25 May 84 pp 2-3

[Article by Ovidiu Popescu]

[Text] The plenary session of the National Council of Agriculture, Food Industry, Silviculture and Water Management that conducted its proceedings in plenary meetings, in meetings for the various sectors of activity and groups of counties on 18-19 May 1984 is part of the series of permanent, fruitful and direct get-togethers which party secretary general Nicolae Ceausescu has with executives and working people to outline the most appropriate avenues and measures to resolve the problems that arise in implementation of the plan this year and the basic guidelines and objectives to continuous economic growth, in compliance with the decisions of the 12th Congress and the National Party Conference.

The plenary session responsibly and discerningly analyzed, critically and self-critically, the manner in which the spring campaign was conducted and also the measures and action that should be taken for timely and qualitative completion of maintenance operations, preparation and smooth unfolding of the summer campaign, full implementation of the special programs for boosting plant and livestock output, in both state and cooperative agricultural units and on private farms of cooperative members, of individual farmers, to obtain a record agricultural production in 1984.

## Bases of Bumper Crops

In compliance with the guidelines and directives given by Nicolae Ceausescu at the work conferences at the CC of the RCP (December 1983) and at Sinaia (in January 1984) on agricultural problems, there was analyzed the work conducted to assure the conditions needed for obtaining the highest possible agricultural outputs.

This spring the operations unfolded in a timely manner and under good conditions. Even though more difficult conditions (specifically cold weather) caused



the start of planting with an almost two-week delay and operations were interrupted because of precipitations in all Romanian regions, nevertheless sowing was completed in a relatively short time, due to the measures taken by party organs and organizations, that mobilized the management bodies of agricultural units, the experts and agriculturists in making up for the delays and in completing quality sowing. In light of the instructions given by party secretary general Nicolae Ceausescu, to the effect of completing sowing for all crops in a single period measures were taken to accelerate the rate of sowing, by total mobilization of the work force and best possible use of existing mechanical means. In the counties where the technical-material base was used efficiently and work was conducted in an organized and responsible manner, good results were obtained and this has fully demonstrated the great potential of our socialist agriculture, the capacity for completing quality work even under less favorable climatic conditions.

For the purpose of ensuring the obtaining of an adequate farming, of the planned density, all units made a qualitative inspection of the areas sown, the blanks and failures were corrected, the fields in rotation were tended and, especially, a verification was made of the manner of use of arable lands and the excess of moisture was eliminated.

Participants in the plenary session pointed out that despite the results obtained, there were some shortcomings in the organization of the activity, which caused inadequate use of the proper work time, delaying operations in a number of units. Also, there were deficiencies in terms of timely and adequately quantitative provision of seeds for some crops (chick-pea, chicory and oil linseed), and this resulted in non-implementation of the plan in terms of the structure envisioned. Left to be sown are almost 200,000 hectares after fall crops impaired during wintertime, after fodder crops and on lands with temporary excess of moisture, and consequently, it is necessary that in the next few days sowing and planting of vegetables be completed on the last areas.

#### Proper Upkeep of Crops

Crops sown in springtime have good emergence, proper density, but humidity and wet encourage weed growing as well. Therefore, decisive for the level of the harvest is timely, most discerning and responsible completion of all the upkeep operations. That is precisely why party secretary general Nicolae Ceausescu emphasized that "whatever the conditions -- whether or not we use herbicides -- for hoeing crops it is mandatory for us to perform hoeing. It is well known -- and practice has proved it -- that hoeing equals a good rainfall, and in the context of irrigation hoeing equals good watering." For all hoeing crops it is necessary to perform at least three hoeings. Firm action is needed to draw villagers into performing hoeing whenever necessary, and also into better organizing work under the overall contract system, by making permanent the formations of machine operators and cooperative farmers, that bear the responsibility for the quality of the work completed and maintenance of the

densities specified in technologies. As stressed by the party secretary general, the people's councils and the agricultural bodies must determine for the various zones the optimal period for performance of each hoeing and of the other crop upkeep operations and take measures for the active participation of all farmers, of all villagers in these operations.

In the fruitgrowing and grapegrowing industries the focus must be on plant protection works, concurrently with implementation of the measures to restore plantations affected by late spring frosts and to complete the program of crops intercalated in grape and fruit tree plantations.

#### Exemplarily Prepared Summer Campaign

This year's summer campaign must involve cultivation of 3.4 million hectares of grain crops and other crops, clearing the lands of straw from more than 3 million hectares, plowing, land preparation and double crop sowing on almost 2 million hectares and performance of summer plowing on more than 1.4 million hectares. Provided for completion of operations are almost 110,000 tractors, 47,000 combines in equivalent C12, more than 20,000 baling presses, almost 50,000 plows and other farming machines and outfits, which will permit completion of harvesting for barley and two-rowed barley in 4 days, wheat in 6-10 days, oil rape in 3-5 days, pea in 8 days, and land clearing of straw in 4 days for barley and 11-13 days for wheat. Plowing and sowing of double crops will be done in maximum 48 days after harvesting of the precursory crop.

During the short time until harvesting it is necessary to complete repairs and overhaul of all the equipment, mandatory operation tests for all combines before sending them to the field. Great strictness will be used in sealing operations for combines and transportation facilities, provision and preparation of storage areas, briefing of all the personnel that will participate in the harvesting campaign.

One of the prominent problems in the debates involved cutting losses in harvesting. Last year, these losses in some units amounted up to 300 kg/ha, because of lack of responsibility displayed in repairs, adjustment and sealing of combines, failure to ensure technical assistance for prompt correction of breakdowns, and the like. As indicated by party secretary general Nimeni Ceausescu, a loss of 300 kg/ha signifies almost all the quantity of grain to ensure food for about 25-30 percent of the population. Drawing lessons from these deficiencies, we must take special measures so that fully responsible programs may be implemented this year for exemplary organization of work, formation of properly equipped special teams to ensure upkeep of machines, their permanent operable condition. Moreover, there must be a constant control over the ripening condition of fields, so as not to exceed the optimal time. All the activity will be structured in complex formations, that will in continuous flow complete harvesting, transportation of the output and sowing of double crops. Mechanical harvesting will be paralleled by manual harvesting where crops

dropped. All the harvest will be conveyed directly from the combine to the storage area, with prohibition of leaving the harvests in the field.

Special attention will be paid to harvesting seed plots, because the level of future crops hinges on the quality of seeds. Under the program approved, each agricultural unit is required to ensure the quantity of seed for its own needs, and also the specified reserve of seeds from superior biological categories.

The unfolding of grain harvesting operations must coincide with further projects for application of waterings in crops located on irrigated lands and for exemplary harvesting of fodder crops, pea, potato, vegetables and fruit. For this purpose it is necessary to use at full capacity the required mechanical means and work force.

This year, in a short period of time, it is necessary to sow 2 million hectares of double crops of corn, vegetables, potato, sunflower, soy beans, beans, fiber flax and hemp, and fodder crops.

#### In Livestock Industry, Good Results But Also Nonfulfillment

The plenary session of the National Council of Agriculture analyzed with discernment, firmness and full commitment the manner in which are implemented the national program and the county programs for expansion of animal husbandry, pointing out both the good results and the deficiencies in this area. In the first 4 months of this year, the head of cattle, sheep and hogs is larger than that for the same period of last year and the level in the 1 February 1964 census. Greater increases in the herds have been obtained at the state agricultural enterprises in the counties of Alba, Bacau, Timis, Bistrita-Nasaud and Cluj and at the agricultural production cooperatives in the counties of Suceava, Prahova, Harghita, Covasna and Bacau. Good results on private farms, for the first quarter of this year, versus the same period of last years, were obtained in the counties of Suceava, Cluj, Prahova, Dimbovita, Mehedinti, and others. Also, in livestock production some increases were obtained for milk, eggs and meat and in deliveries to the state fund. Even though on a country-wide scale some progress was made, nevertheless, because of insufficient concern with upgrading reproduction, preventing losses due to mortality and slaughtering in special situations, introduction of order and discipline in observing laws on registering, circulation, selling and slaughtering animals, not all the plan provisions were implemented for some species and, consequently, product deliveries were lower than planned. The immediately following period will see measures taken to increase reproduction for all species, full provision of all breeding stock, establishment of added natural reproduction communal stations and village centers. Radical improvement of the health condition of animal herds, reduction of morbidity and mortality and of slaughtering in special situations will further be the major concerns in the activity in the livestock industry. Drastic steps must be taken for observance of general prophylactic rules, of rules for implementation of weekly programs of farm hygiene and application of adequate treatments.

For the purpose of increasing the output of cow's and ewe's milk measures will be taken for abundant foddering of the animals that are milked, by using natural and cultivated pastureland and other fodder resources, with special focus on production and breeding activities in summer stations, whose organization must be completed by 31 May 1964. The increase in the quantity of meat can be obtained by slaughtering the animals at a greater weight (400 kg for cattle, 12 kg for sheep and 105 kg for hogs) and for this purpose additional areas will be appointed for fattening and natural and cultivated pastureland by-products from plant production and from the food industry will be used.

At the plenary session it was pointed out that in 1963 some improvements were made in the area of animal foddering, both by increasing the amounts of bulk feed provided and by using on a wider scale methods and procedures for raising the nutritional value of fodder. Nonetheless, costly foddering technologies continue to be applied, involving formulas that specify imported fodder and foddering additions, while the productions of perennial legumes, of other valuable plants (rich in protein, vitamins and mineral salts) are quite inadequate. Even though a series was recommended with efficient methods in raising the nutritional value of forage (cph yeasting, production of protamide, urocel, straw ammonization and the like), with the exception of Olt and a few other counties (Iasi, Ialohom, Suceava) slow or no action was taken in this direction. More attention will be paid to putting to better use the natural pastureland and utilizing the 1 million hectares of pasturable woods.

#### Utilization Of Private Farm Reserves

Participants in the proceedings of the plenary session indicated that during the period that elapsed since the adoption of the Uniform Program for Increasing Agricultural Output on Individual Farms of Cooperative Members and on Private Farms firm measures were taken to ensure a stronger material base, to spur the interest, ability, and enterprising spirit needed for implementation of the tasks of boosting farm output.

The rise in mechanization for major operations is ensured by the 16 stations and 126 sections of mechanization that include about 2,400 tractors. Made available to the population, through marketing units, for manual and animal traction operations, have been all-purpose plows, plows for vineyards, reversible plows, plow knives and shares and other farm machines and implements. Moreover, individual farms have been provided with more than 16,000 tons of seeds from strains and hybrids with a high biological value, in compliance with the cultivation plan and the requests for seed from growers. The cooperative members and private farmers have received cuttings and seedlings from highly productive varieties and technical assistance needed in completing plantation of vine, fruit trees and fruit shrubs. The first 4 months of this year, alone, saw the selling to private farms of 11.8 million one-day chicks (29 percent of the annual plan), 12 million eggs for incubation (6 million more than in the same period of last year) and 189,000 young pigs, accounting for 18 percent of the annual plan.

In compliance with the needs for a fair exchange of products between village and town, the peasantry has answered the call to provide a greater input into assuring adequate supplies to the population and satisfaction of other economic needs.

Aware of the great existing reserves for boosting agricultural production, the plenary session of the National Council of Agriculture, the Food Industry, Silviculture and Water Management sent a call to cooperative farmers, to private farmers in noncooperativized zones and localities, to all working people in villages to make better use of the production potential of each farm, firmly implementing the crop and livestock plans, to thriftily utilize every plot of land, to breed as many animals and fowls as possible, to put to good use, under the contracting and procurement plan, greater amounts of farm food products, thereby making a greater contribution to the constitution of the state central fund of agricultural products, to the implementation of programs for territorial self-management and self-supply.

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## NATIONAL BANK OFFICIAL DISCUSSES CREDIT-MONETARY GOALS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1 Jun 84 p 3

[Article: " A Relatively Easier Task Next Year--Interview with Vice Governor of National Bank of Yugoslavia, Dr Tihomir Jovanovski, on Credit-Monetary Policy Aims"]

[Text] Support for economic stabilization goals in 1983 was provided above all by the decline in domestic demand, especially investment demand, resulting from the restrictive credit policy. The credit and monetary policy measures in 1984 continue to support the stabilization program, not an easy task. It is believed that the credit and monetary policy will be aimed in 1985 as well as at aiding economic stabilization, but also at fostering economic growth, and that the conflict of these two aims will from the viewpoint of the credit and monetary policy be considerably reduced even in 1984.

The primary task of the credit and monetary policy in 1983 was economic stabilization. Support for these goals was provided above all by reduction of domestic demand, especially investment demand, as a result of the restrictive credit policy, growth of monetary aggregates that was slower than the nominal increase in the social product. Increase in production was not neglected, an aspect that had been the concern of the credit and monetary policy the previous year, but priority was assigned to slowing down the rise of the inflation rate.

The credit and monetary policy problems also included interest rates: lowering the negative real interest. The level of the mandatory bank reserves in the National Bank of Yugoslavia was changed several times during the year for a number of reasons: in January to draw more money from the clearing accounts of banks, since bank liquidity was too high, and in June to secure money for wheat procurement. It was with this review of the 1983 credit and monetary policy and its processes that discussion began with Dr Tihomir Jovanovski, vice governor of the National Bank of Yugoslavia, who was interviewed by Miodrag Jankovic.

"Bank investments and the volume of money," Dr Jovanovski continued, "increased somewhat more than had been anticipated at the beginning of the year. The credit and monetary policy in 1983 may nevertheless be rated as highly effective, since the nominal growth rate of the social product was significantly higher than predicted, and this indicates nothing else but a markedly restrictive credit and monetary policy. The volume of money increased 148.8 billion dinars (20.1 percent), the largest portion of it (30 percent) by the public and the smallest (11 percent) by associated labor organizations." The increased restrictiveness of the credit and monetary policy, pointed out Dr Tihomir Jovanovski, favored associated labor organizations most of all. It must not be forgotten, of course, that the credit and monetary policy can exert no effect on distribution of the volume of money by sectors; it can influence only the global amount.

#### Many Financial Problems

Dr Jovanovski also pointed out that in 1983 the national banks provided the banks with an additional 105.8 billion dinars of primary issue and 70.9 billion dinars of interest-free credit with their investments. However, foreign exchange transactions withdrew much more primary issue than had been anticipated, and the primary issue of the national banks increased only 7.2 billion dinars, which became available to the commercial banks. He added that the spontaneous drain of primary issue from bank clearing accounts was relatively lower, so that the banks' liquidity was not seriously disturbed. After all, of the higher investments of the national banks, 105.8 billion dinars, 100.1 billion dinars were approved for selective credit for the economy and 1.5 billion dinars for the current liquidity of the banks.

Answering the question of what are the basic goals of the 1984 credit and monetary policy, and of whether there have been any changes in the text of the resolution, Dr Jovanovski was very specific: The measures of the credit and monetary policy continue to support the economic stabilization program in 1984. He added that this is not a simple task, since the heavy domestic demand and the many financial problems of the associated labor organizations and the commercial banks have been carried forward from 1983 to 1984. However, the vice governor stressed that the basic difference between the 1984 credit and monetary policy and the 1983 policy is in the approach toward restrictiveness of the policy and in evaluation of this restrictiveness.

Dr Jovanovski stated that there is no need to continue the previous level of restrictiveness, among other things because of the much more active role of interest, which is increasing sharply in 1984 and is coming very near the positive interest rates. The quantitative tasks of the credit and monetary policy have been assigned precisely in the light of these relationships now being established.

When asked whether he could express these tasks in terms of figures, Jovanovski replied in the affirmative, noting that it is estimated that the volume of money should increase 342 billion dinars (38.5 percent) in 1984, that this is a pronounced increase over 1983, when it amounted to 20 percent; and that

it corresponds to an increase of 53 percent in the social product, since the restrictive credit and monetary policy is being continued, but at an appreciably lower intensity.

#### Real Decline in Consumption

Dr Jovanovski immediately went on to throw light on the developments to be expected in this direction. He believes that, to satisfy the greater demand for money, it is necessary among other things to improve the financial discipline of the participants in the monetary system. Dinar deposits, primarily savings deposits of the public, will be under the influence of factors acting in the opposite direction. The higher interest rates should attract savings, whereby deposits would be considerably increased, and this would be reflected in a growth greater than the increase in the volume of money. Of course, a real decrease in consumption is to be expected at the same time, and this will have the opposite effect on the dynamics of these deposits. According to Dr Jovanovski, it has been estimated that dinar deposits, in addition to the volume of money, will increase 339 billion dinars (43 percent) in 1984. This figure would be markedly higher than the 73.2 billion dinars (10.2 percent) in 1983. Foreign exchange deposits should remain at the 1983 level, since the effects of modification of the dinar exchange rate are excluded. Responding to the question of what impact this will have on the net domestic assets of banks, Dr Jovanovski stated that these assets should increase 731 billion dinars or 17.7 percent (in 1983 the increase was 286 billion dinars or 10.5 percent). Of this amount bank investments, like the net domestic assets, should be 23 percent or 647 billion dinars higher, and foreign exchange investments 84 billion dinars higher. He added that an increase of 120 billion dinars in national bank investments deriving from primary issue must be ensured to bring about such extensive growth of the volume of money and bank investments. The projected increase in primary issue will amount to 190 billion dinars; the bulk of this issue will be allocated for financing exports of goods and services and financing agricultural production.

#### Aid for Economic Growth in 1985 as Well

Dr Jovanovski believes that this credit and monetary context will ensure considerable improvement in the liquidity of participants in the monetary system and more regular payment of obligations. In addition, the rediscount limits on linear monetization have been abolished, and the rediscount rate has been raised from 45 to 55 percent, 65 percent for wheat and oleaginous plants, and 60 percent for corn, sugar beets, and rice. Dr Jovanovski believes that monetization in 1984 will involve 20 billion new dinars, this being about 14 percent of the expected annual increase in primary issue investments.

In speaking about the interest rate policy in 1984, Dr Jovanovski expressed the belief that the most urgent changes in the monetary and credit processes will be continue. He added that the higher interest rates should ensure more rational use of money and encourage all forms of saving. He remarked that the first significant step toward raising interest rates and bringing them

closer to the positive level was taken at the end of April, and it is expected that further steps will be taken by the end of the year. He added that lower interest rates will naturally be applied, within the context of selective allocations and with the aid of primary issue, to credit for exports of goods and services and for production and stockpiling of basic agricultural produce.

Asked whether the measures taken this year are bearing fruit, Dr. Jovanovski stated that more substantial changes have taken place in the dynamics of the basic credit and monetary aggregates during the first 3 months of 1984 than over the same period last year. The volume of money has increased 55.2 billion dinars (6.2 percent) from the level at the end of December 1983, this being much higher than the growth during the first 3 months of last year, when the volume of money increased only 1 percent. However, he continued, the desired increase in money in the accounts of industrial associated labor organizations has not yet taken place. As with the first 3 months of 1983, these organizations have lower monetary resources, while in other public sectors these resources have increased 61 billion dinars (21.5 percent) as against 23.2 billion dinars (9.7 percent) in 1983. Bank investments are 156.7 billion dinars (4.9 percent) higher, while the net domestic assets of banks are 118.6 billion dinars of 2.9 percent higher, not the projected 135 billion dinars.

Dr Jovanovski was asked for a brief comment on what the 1984 credit and monetary policy will really lead to in 1985. He stated that the credit and monetary policy is expected to be oriented in 1985 as well toward promoting economic stabilization, but also toward fostering economic growth. The conflict between the two goals, from the viewpoint of credit and monetary policy, is expected to be greatly mitigated even in 1984. In reality, the credit and monetary policy is expected to have a relatively easier task in this respect in 1985. Dr Jovanovski added that the decline in domestic demand will surely continue into 1985. Consequently, the restrictive approach will also be maintained next year, but the restrictive measures will be milder than in 1983 and earlier years. Hence the increase in the volume of money and the other aggregates will be smaller in terms of percent than the nominal growth of the social product.

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## YUGOSLAVIA

### BANK ASSOCIATION DISCUSSES FINANCIAL CONSOLIDATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23 May 84 p 3

[Article: "The Assembly of the Bank Association of Yugoslavia on Financial Consolidation of Bank Management and Further Development of the Banking System--Solutions Found in Pooling and Free Circulation of Money"]

[Text] It is high time for economic criteria to be the decisive factor in bank organization. Bank funds possibly are not sufficient to meet future stiff requirements. The banks are the ones to contribute to increase in the strength of our economy.

Belgrade, 21 May. The banks and the Bank Association of Yugoslavia itself cannot avoid their share of responsibility for carrying out the economic stabilization process. This unquestionably means that, no matter how necessary it may be to develop the design of the system and modify laws and other regulations governing the system as regards financial consolidation of the economy and the banks, it is even more necessary for everyone, from the basic associated labor organizations to the Bank Association, to change their attitude toward the problems to be solved. This is the most concise message from the Assembly of the Bank Association of Yugoslavia, at which two highly important and closely related questions were dealt with, that of financial consolidation of the economy and the banks and that of further development of the banking system. Those who attended and took part in the work of the Assembly session included Borisav Srebric, deputy chairman of the Federal Executive Council, Vlado Klemencic, federal secretary of finance, Radovan Makic, governor of the National Bank of Yugoslavia, Dr. Tihomir Jovanovski, vice governor of the National Bank of Yugoslavia, and others.

At this large-scale meeting, Miodrag Radosavljevic, chairman of the executive committee of the Bank Association of Yugoslavia, pointed out once again in his introductory address that we have a highly fragmented bank network organized predominately on the territorial principle. The 10 largest of the 164 basic banks have 45.6 percent of the total potential, while 28 of the smallest basic banks have only 1.8 percent, so that each of them holds less than .001 of the total funds. Quite understandably, as Radosavljevic noted, the very small basic banks cannot be expected to follow large-scale projects financially at all in the process of financing



reproduction. They cannot keep up with the economically stronger banks and the needs of associated labor. It is just for this reason that Radosavljevic thinks it to be high time to make economic criteria the decisive ones in bank organization.

#### Free Circulation of Money

In his introductory address, the Bank Association chairman devoted considerable attention to unimpeded circulation of financial resources. In the sphere of expanded reproduction, in his opinion, genuine free circulation of financial resources is to be expected only when the concept of pooling labor and funds comes to predominate over all of Yugoslavia. At the present time the demand is much higher than the supply; that is, not even the most essential conditions exist for free circulation with available bank funds. Radosavljevic also advocated thorough review of uncollected claims due and of all pro forma claims. The existing situation can be resolved both by rescheduling a part of such claims, on a rigorously selective basis and within the limits of the actual resource balance potential of each bank, and by writing off all unpaid claims. Admittedly, the current level of bank funds may not be sufficient for such harsh measures. Hence more work must be done toward pooling the resources of the basic bank members to form such funds.

The delegates to the Assembly also decided for changes in the direction of a more efficient investment system, especially as regards application of uniform economic criteria in making investment decisions. Support was also given to the requirement of functional division of available bank resources to make certain that the financing of expanded reproduction will be based exclusively on accumulated monetary resources.

As regards interest rate policy, we must reconcile ourselves to the reality that interest rates must perform a stronger economic function under specific Yugoslav conditions. At the same time, it must not be forgotten that transition to a positive interest rate in the sphere of term deposits, as well as to the so-called minimum or real rate of interest on credit, within a period of only a year exerts too great a stress on our economy, which has not been prepared for all this.

The restrictive credit and monetary policy which has been applied for 5 years in Yugoslavia now has not, in the opinion of the first speaker in the discussion, Grgo Stipic of the Zadar Commercial Bank, yielded the anticipated results also because of the fact that the situation in the economy and the banks has not been correctly taken into account, just as the increasingly destructive effect of inflation on money has not been considered. The total bank funds in this region, for example, represent only two-thirds of the total interest on the savings of the population.

## Exchange Rate Differences and Inflation

Only minor improvements, not the radical changes needed today, have been made in the systematic laws in this field, which we enacted 10 years ago, stressed Miodrag Zecevic of the Associated Bank of Belgrade. According to Zecevic, as many as 40 percent of the banks are illiquid, but nothing is being done. Not a single bank is failing, regardless of the commercial policy which it maintains or its liquidity, and in his opinion this is an obstacle to consolidation of funds. In his discussion, Tihomir Jovanovski commented on the changes in the credit and monetary policy for this year, stressing that it should no longer be as restrictive as it has been in the past.

In 1984 the economy should pay back as much as 55 percent more funds to the banks; hence measures are needed to soften the impact on the economy, and this involves increasing the volume of circulating capital to relieve the burden on the economy. One of the most serious problems is represented by the negative exchange rate differences.

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## YUGOSLAVIA

### PERSONAL INCOMES IN FIRST QUARTER OF 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 May 84 p 6

[Article by Ljiljana Barjaktarevic: "Personal Incomes in the First Quarter of 1984: Threat of a New Wage Leveling?"]

[Text] Total personal wage disbursements in the first quarter have already reached 42 percent. Distribution is mostly proportional to the bimonthly growth rate. The earnings of direct producers and management are coming dangerously close together.

Following the unpleasant surprises in January, which by all indications resulted in some delays in payment of wages due in December, and the sobering effect occasioned by the really more modest February figures, the distribution of personal incomes in the first quarter of 1984 in a manner of speaking tried to and succeeded in preserving the status quo. At least as far as quantification of the growth is concerned, it promises a calm after the storm. Admittedly, this assessment could not be supported as regards possible trends readily recognizable even now on the basis of the quarterly personal income payments in view of the announced wage leveling, something which unquestionably threatens new pitfalls in this already sensitive sector of life and work.

This is due just as much to the trend itself, since personal incomes, where they have been earned, and in the majority of cases the wage scales as well, are proportional to a growth of around 40 percent, as to the fact that the leveling is taking place at an already high level of growth of these payments. And like a boomerang this may rebound in the form of a new flare-up of consumption as well as of the already known hot points of inflation and instability.

#### At the Bimonthly Growth Level

To judge by reports of the Public Accounting Service of Yugoslavia, which asserts that on the basis of previous data reflecting developments during the first quarter of 1984, personal income payments were 42 percent higher than during the same period last year. They have thus remained at the bimonthly growth level. Analysis of this increase by republics and provinces clearly shows the differences in the "contributions" each makes to the total

increase in personal incomes. They are made under conditions of somewhat more lively production and production growth, but are too small, now that the proper business management qualities are absent, to justify the rather high percentage of growth. Of course, this high level has also been favored by prices, which did not remain fixed even though frozen at that time, again leading to an inflationary course contrary to the agreed policy.

In the aggregate, employee earnings in Slovenia increased 47 percent. This is the largest growth achieved in a single republic. Just below this level was the 44 percent increase in Kosovo, followed by the growth of 43 percent in Bosnia-Herzegovina and Serbia less the provinces. In last place, with an employee wage growth of 38 percent are Vojvodina and Montenegro, in which, however, earnings increased the most dramatically in relation to the bimonthly figures, by 12 index points.

The total growth rate trend has also been followed by the employees of industrial associated labor organizations, whose personal incomes have also increased 42 points from the first quarter of 1983. Thus in March these personal incomes did not receive the usual addition and so remained at the level of the bimonthly increase. While the incomes of this worker category were at a virtual standstill in March, the employees of worker collectives of economic organizations would probably like to share this experience. During the first quarter their personal incomes remained at a growth rate of 41 percent, but even this in one index point higher than the growth rate of worker collective employee incomes over the 2 preceding months. Thus the earnings of these employee categories are coming closer together, at least as regards the new growth percentages. This is not cause for rejoicing when one remembers the definition assigning a higher rating to production than to nonproduction workers, as well as the different base levels from which these increases proceed.

#### In the Bimonthly Increase

There are no major surprises with the other items either, and no unpredictable ones, if the gaze applied is the trends from the beginning of the year which had already been announced. According to the folk saying, "You cover the same distance to get to the same destination," but the administration will not readily renounce its earlier claims that it is tailoring the distribution of personal incomes to its own needs and habits. This is confirmed not only by the already high growth rates but even more so by the essentially new relationships between some of these items and the total growth of personal incomes during the first quarter of 1984. First place continues to be held by the personnel of banks and financial organizations, whose personal incomes increased to 51 percent during the first quarter with the indicated 4 index points of the March wage addition alone. At the same time, this is the largest increase recorded in one item, when compared to the bimonthly increase.

In contrast to these figures, the incomes of employees of public activity organizations, being 5 index points below the bimonthly increase, reflected an increase in total wage payments, that is, a growth of 42 percent. The personal incomes of their worker collectives remained at the bimonthly average, reflecting a substantially lower increase of 38 percent. They are followed by the incomes of employees of special-interest worker collectives, and their 37 percent increase (1 point above the bimonthly rise) also includes payments based on so-called functional management.

The earnings of the staffs of government organs and organizations, together with the allocations for functional management, have remained at the level of the bimonthly increase, that is, 40 percent. The most surprising situation found on this occasion was occasioned by personal incomes in property and personal insurance organizations, in self-managed and public collectives, and of government funds, and also in their worker collectives. With an increase of "only" 22 percent, these earnings dropped dramatically to the bottom of the earnings ladder, after the very unpleasant surprise of a 66 percent increase in January and the February drop in earnings to 38 percent. Apparently in this category a fairly heavy effect was exerted by outstanding payments distorting the true picture and the trends in this quarter of 1984.

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## DATA ON EXPENDITURES FOR FOUR-MEMBER FAMILY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 23 May 84 p 4

[Article by Tomislav Milisavljevic: "Ability of Personal Incomes To Meet Expenses Keeps Diminishing"]

[Text] During a period of only 1 year, the "basket" of goods and services for satisfying the necessities of life increased in cost by 47 percent. The increase in costs of the needs of a four-member family was somewhat greater than the average net personal income for one person earned in the nonproduction sector during the period January-April 1983. During the January-April period of this year, the "basket" of goods and services of personal consumption cost on average between 45,360 dinars and 47,917 dinars, depending on heating. This basket was less expensive by 15,487 dinars during the first 4 months of last year. The aspiration of shifting increased expenses to expenses of reproduction strengthens the inflationary spiral.

During the first 4 months of this year, in spite of a decision by the Federal Executive Council on "freezing" prices, our "basket" of goods and services for satisfying the needs of personal consumption for a four-member family increased in cost by 3,375 dinars, or by 7.8 percent, from the end of December of last year to the end of April of this year. In April alone, the increase amounted to 968 dinars, or 2.1 percent, compared to the previous month. Thus, the quantity of goods and services, which represented the average consumption of the majority of Yugoslav families at the beginning of this decade, reached a value of 47,873 dinars in April of this year. This value is for a family living in an apartment heated through the city heating plant. If heating an apartment is carried out at one's own expense, the expenditures for personal consumption of a four-member family can be even greater (47,799 dinars if coal is used and 49,023 dinars if the apartment is heated with heating oil).

Our "basket" of goods and services for satisfying the necessities of life increased in cost by 14,943 dinars, or by 47 percent, in only 1 year.

This increase in the cost of the needs of a four-member family was somewhat greater than the average net personal income earned by those employed in the nonproduction sector during the period January-April of last year. Thus, under the condition that the personal earnings of the employed members of a household did not change, a family of four would have to have had one more

member of the family employed in April of this year, with an income equal to the average personal income of all those employed in the country, in order to provide for the same quantity of goods and services which it consumed in 1980. At the same time, our households met the expenses for this quantity of goods and services with the average net personal income of 1.6 employed household members.

During the period January-April 1984, our "basket" of goods and services for personal consumption cost 43,760 dinars a month on average, when home heating was accomplished through a heating plant, 46,675 dinars when coal was used for heating, and 47,917 dinars if heating oil was used. During the same period last year, this "basket" was cheaper by 13,487 dinars.

One might compensate for this large increase in the cost of living expenses in several ways. One is by increased productivity of labor, the incomes of employed members of the household being increased by the necessary amount. In this case our four-member households would preserve their standard of living thanks to greater productivity of labor. A second way is to have one more member of the household employed, and in an activity which would provide this person with a somewhat greater personal income from the average income earned by those employed during the first 4 months of 1983. A relatively small number of households were able to take advantage of this possibility because the opportunities for employment were limited. Therefore, the prospects were small that the living standard could be maintained at the level of last year by this means. The third, and least favorable possibility of compensating for increased living expenses was to transfer them entirely to the personal incomes of the employed and in this way shift them to the expenses of reproduction and strengthen the inflationary spiral even more. However the fourth possibility was expressed to the greatest extent. It is reflected in the partial shifting of these increased costs to the expenses of reproduction through increases in the personal incomes of the employed. In other words, this drastic increase in living expenses meant a reduction in personal consumption, or standard of living, but it also meant new stimuli to inflationary trends for part of the increases of personal incomes of the employed which were not covered to the corresponding extent by increases in production and increased productivity of labor.

#### Changes in the Structure of Expenditures

Of course, this reduction in personal consumption also had to be accompanied by changes in its structure. Considering that part of the necessities of life have to be taken care of regardless of cost increases, these structural changes developed for the most part at the expense of goods and services with greater elasticity in changes of price and income. Above all these are products and services of more lasting usable value, such as electrical devices and appliances, furniture, and motor vehicles, followed by high-quality products from the food, tobacco and beverage, clothing and footwear groups, and some goods and services from the health and hygiene, and culture and recreational groups.

The increase in expenditures for personal consumption during the period January-April 1984, which amounted to 3,375 dinars, was mainly caused by increases

in the cost of goods and services from four groups: food, clothing, footwear, and home furnishings. The increase in expenditures for goods and services of personal consumption from these four groups of products made up 86.5 percent of the total increase of expenditures. Actually, the greatest increases in prices in the designated period (from the end of December to the end of April) were in the footwear group (17.9 percent), the household furnishings group (16.3 percent), the clothing group (14.5 percent), and in food (8.3 percent), so that their make-up in the total increase of monetary outlays for personal consumption came to 6.8 percent, 16.3 percent, 16.2 percent, and 47.2 percent, respectively.

With the assumption that our households were able to set aside income in some way for the purchase of established "basket" of goods and services for personal consumption, there must have been significant changes in the structure of monetary outlays for personal consumption which were influenced by uneven increases in prices. These changes were encountered in the increased participation of expenditures for goods and services from these groups in total expenditures, and these expenditures were: in the food group from 43.9 percent in December 1983 to 44.1 percent in April 1984, in the clothing group from 8.6 percent to 9.3 percent, in the footwear group from 3 percent to 3.3 percent, and in the household furnishings group from 7.7 percent to 8.4 percent. Because of the increased share of expenditures for these groups, the participation of expenditures of the other groups in total expenditures must have been reduced, above all, the participation of tobacco and beverages, and the communications and transportation group.

See Table 1.

If one examines the whole period January-April 1984, one finds that the following items have played an increased part in total monetary expenditures for personal consumption compared to the corresponding period last year: footwear, household furnishings, health and hygiene, and housing, fuel, and lighting. At the same time, a smaller part is noted for these items: tobacco and beverage, clothing, culture and education, communication and transportation. In the period under consideration, the groups with the greatest increase of expenditures in order of growth were: health and hygiene (76 percent), footwear (65 percent), household furnishings (55 percent), and housing, fuel and lighting (58 percent). Their increases were noticeably greater than the increase in total expenditures (51 percent).

#### ILP by Categories and Subcategories

Considering that we have data on net personal income only for the first 2 months of this year, we will give our ILP by categories and subcategories only for this period. It must be stressed immediately that the ILP for all activities and subdivisions during this period for this year amounted to 0.67, and for the same period last year, 0.73. The personal incomes of the 1.6 employed members of the household, therefore, net 67 percent and 73 percent respectively to the expenditures during this period for a four-member family,

Table 1. Absolute Level and Changes in the Structure of Expenditures for the Period January-April 1983 and 1984

	<u>Expenditures in dinars</u>				<u>Changes in Structure</u>		
	<u>I-IV 1984</u>	<u>I-IV 1983</u>	<u>IV</u>	<u>1983</u>	<u>XII 1983</u>	<u>IV 1984</u>	<u>I-IV 1984</u>
Food	20,228	13,399	43.9	44.5	44.1	44.2	44.3
Tobacco and beverages	2,203	1,525	5.0	5.1	4.7	4.8	5.0
Clothing	4,028	2,744	8.6	9.2	9.8	8.8	9.1
Footwear	1,401	847	3.0	2.9	3.3	3.1	2.8
Household furnishings	3,716	2,396	7.7	7.8	8.4	8.1	7.9
Education, culture, recreation	2,251	1,663	4.4	5.5	4.8	4.9	5.5
Health and hygiene	2,567	1,457	5.8	4.7	5.5	5.6	4.9
Transportation and communication	3,436	2,481	7.9	8.1	7.3	7.5	8.2
Housing, fuel, lighting	5,929	3,762	13.2	12.2	12.7	13.0	12.4
Total	45,760	30,273	100.0	100.0	100.0	100.1	100.4

Note: Calculated on the basis of a fixed list of goods and services for personal consumption using retail prices in the corresponding periods followed by the Federal Bureau of Statistics.

calculated on the basis of the fixed list of goods and services for personal consumption.

In economic activities, the earned personal incomes of the 1.6 employed members of the household met 66 percent of expenditures for personal consumption, and in noneconomic activities 70 percent (a year earlier the numbers were 72 percent and 80 percent respectively). Within the economy, the most favorable ILP's for the first 2 months of this year were in handicrafts (0.71), and transportation and communications (0.70), so that the personal incomes of the employed members of household met 71 and 70 percent respectively of the expenditures in these activities of four-member families for personal consumption. A year



earlier, the personal incomes of the employed met 77 percent and 78 percent respectively of the expenditures for personal consumption in these areas. The most favorable ILP's in noneconomic activities were for those employed in financial and other services (0.82), and then for those employed in education and culture (0.72). Their personal incomes met 82 percent and 72 percent respectively of their expenditures for personal consumption of a four-member family during the first 2 months of this year.

If all categories and subcategories of activity are examined together, then only in the area of foreign trade did the average personal income of the 1.6 employed members of households meet entirely the expenditures for personal consumption of a four-member household for our fixed "basket" of goods and services for the first 2 months of this year. During last year, personal incomes of employed members were somewhat greater than total expenditures for personal consumption of a four-member family for those working in the production of oil and gas (2 percent), in the refining of oil (2 percent), maritime transportation (4 percent), and scientific research activities (8 percent). This year, however, with the exception of foreign trade, personal incomes of employed persons were not enough in any activity to meet total expenditures for personal consumption. But the most favorable situations, besides foreign trade, were in the production of coal, the production and refining of oil, air transportation, pipeline transportation, and scientific research activities, in which personal incomes of the 1.6 employed household members were less than expenditures for personal consumption of a four-member family by up to 10 percent.

On the other hand, the least favorable situation with respect to the level of personal incomes was in the production of gravel and sand, where the earnings for the 1.6 members of a household employed met barely 51 percent of the expenditures of the fixed "basket" of goods and services for personal consumption. Also in an exceptionally unfavorable position regarding personal incomes were those employed in construction, the construction materials industry, sawmills and wood board manufacture, manufacture of finished wood products, retail trade, river transportation, and the production of finished textile products. The average personal incomes of the 1.6 employed household members in these activities met between 54 and 58 percent of expenditures for a four-member family.

On the whole, our ILP's indicate that personal incomes of workers are becoming less and less stimulative for creative work and increased productivity. In spite of this, the existing differences in the levels of personal incomes are not the result of greater production and productivity of labor, and better business results. Their level is determined more by earlier acquired positions in the market, and in primary distribution, than by production and business results. This is best demonstrated by data concerning current losses according to the final accounting for 1983.



Table 2. Net Personal Income, Expenditures for Goods and Services, and ILP.

	1984				1983			
	II	III	IV	I-IV	II	II	IV	I-IV
Net personal income in dinars	19,158	20,100	20,455	19,490	13,604	14,316	14,696	13,952
--for 1.6 employed household 1)	30,653	32,160	32,728	31,184	21,766	23,018	23,322	23,322
Expenditures for goods and services in dinars 2)								
I with heat from heating plant	45,314	45,905	46,873	45,760	29,804	30,707	31,930	30,273
II with coal heat	46,212	46,837	47,799	46,675	30,431	31,413	32,786	30,978
III with heating oil	47,467	48,055	49,023	47,917	31,060	31,390	33,664	31,648
IV with electric heat	46,369	47,329	48,359	47,140	30,569	31,496	32,515	31,006
Indicator of change in personal consumption 3)								
ILP								
I ILP	0.68	0.70	0.70	0.68	0.74	0.75	0.74	0.74
II ILP	0.66	0.61	0.68	0.67	0.72	0.73	0.72	0.72
III ILP	0.65	0.67	0.67	0.65	0.70	0.72	0.70	0.71
IV ILP	0.66	0.68	0.68	0.66	0.71	0.73	0.72	0.72

**Table Notes:**

1) Net personal incomes for the examined months and for the cumulative income in 1983, and February 1984, are according to definitive data of the Federal Bureau of Statistics, while March and April 1984 are estimated on the basis of their dynamics during the first 2 months of this and the preceding year.

2) Calculated on the basis of the permanent list of goods and services for personal consumption (the structure of consumption at the beginning of this decade), and their average retail prices for the corresponding periods, according to the Federal Bureau of Statistics.

3) Ratio of average net personal income for 1.6 employed members per 1 household and expenditures for personal consumption for a four-member household, obtained in the manner explained in footnote 2).

**ILP--Expenditures for Personal Consumption**

For March, our ILP was 0.72, and for the first quarter of this year 0.69. This means that money earned on the basis of personal incomes met a total of 72 percent and 69 percent respectively of expenditures for maintaining the "basket" of goods and services for personal consumption. After considering the March changes in prices, during the period January-March expenditures increased the most compared to the same period last year for goods and services in the following groups: footwear, household furnishings, health and hygiene, and housing, fuel, and lighting.

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## INADEQUATE INVESTMENTS IN AGRICULTURE DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 4 Jun 84 pp 22-24

[Text] Among the conclusions of the May debate in the Chamber of Republics and Provinces of problems of agriculture, a key place belongs to the conclusion about the need for intensified investments in the agroindustrial complex. It is felt that investments in agriculture, which now constitute less than 7 percent of total economic investments, should be increased to "at least 13 percent [quotation not closed in original], which is agriculture's share in creation of the social product, just as it was "set" in the Long-Range Program for Development of Agroindustrial Production. Otherwise, it was stated, it is not possible to raise the growth rate of agricultural production from 2.5 percent in the last 2 years (which were good ones) to 4 percent, which is what is needed in order to offset to some extent the growing gap between supply and demand, not to mention the ambition of exporting goods worth more than \$1.5 million a year. Nor is it possible without that kind of growth to improve the present low employment of capacity of the food processing industry (below 50 percent), nor create demand for a number of industries working for the agroindustrial complex and jointly with it "creating" about 50 percent of the economy's total income. Thus the anticipated contribution of the agroindustrial complex to overall changes in the structure of the entire economy will not be achieved either.

Most of these indisputable assertions are to be found in the document mentioned concerning development of agroindustrial production, which is an integral part of the Long-Range Economic Stabilization Program. Certainly there was no need for all of 10 years to pass since a similar debate in the Assembly concerning the problems of agriculture, and 2 years since adoption of the document on the agroindustrial complex, for those requirements to be carried over into new conclusions--which by no means have any more definite scope than the previous ones. However, because of the issue of the level of agricultural investments, that is, the causes of their chronic "insufficiency" for attaining the goals which are set in advance, this situation is itself opening up much broader aspects of reproduction in agriculture, of the overall social conditions for production, and of the character of production relations in this sector, which is the broadest sector of the Yugoslav economy.

What one can immediately ascertain is the fact that agriculture truly has not been "treated in the economic system and economic policy as other activities have been," which is what the document mentioned on development of the agro-industrial complex demands. And that not only with respect to "formation of the social product and income" or "the attitude toward the domestic and foreign market," but also with respect to overall reproduction and development. The prescribed (limited) "purchase" or retail prices for the principal products are "compensated" with rebates, and the restriction of sales and ban on exports are offset with "selective" credits for working capital or with compensation, which is not in the form of foreign exchange (in this respect the provisions of the relevant laws have remained unchanged for years), in the form of "priority" in distribution of the imaginary money created by note issue as "supplemental accumulation," or for emergency financial aid. And all of this--on the basis of decisions of government bodies and agencies at various levels, or through a compromise--agreements among opstinas, republics and provinces which are concerned about "supplying their population" or about "creating surpluses for export." In short, agricultural production and the conditions for its development are no longer the business of "society," i.e., the government (the state)--but of producers who have an economic interest in the production and sale of more goods so that in that way they can derive more value from their own work and expand their plant and equipment.

In the Assembly debate the greatest shortcoming of the present agricultural policy was said to be that "only prices" are left to conduct at the federal level, while everything else has passed into the jurisdiction of the republics and provinces at one level and the opstinas at the other. However, the greatest doubt can be expressed as to whether it would change anything if all the "powers" were concentrated in federal officialdom. The same applies to whatever other regional level or agency is resolving any of these issues with complete independence. That is, it is a question of the very position of the producers.

#### Marginal Accumulation

The year-end statements for 1983 of all 2,356 organizations of associated labor making up the socialist sector of agriculture showed a net accumulation of 25.7 billion dinars after appropriation of about 5 billion for reserve funds and after covering losses amounting to 2.6 billion. Without going into the question of whether the book values of the average capital employed were realistically indicated, analysts of the Business Community of Yugoslavia for Food Production and Sales ("Agrozajednica") provisionally referred to the 4.3-percent rate of accumulation established in this way as "satisfactory for future development of this sector of the economy," but immediately add that the payments come due and paid under long-term credits for fixed capital and working capital and on long-term emergency financial rescue credits amounted to 13.5 billion dinars, so that the payments more than cut in half the net accumulation, and the rate of freely available capital for investment dropped to 2 percent.

It is self-evident that "that rate is not sufficient for the kind of development envisaged in the Long-Range Economic Stabilization Program," conclude

the people in "Agrozajednica." Likewise, we can also add to this, beyond all dilemmas, that that kind of development cannot be achieved at all if it is to be done exclusively with the accumulation of the organizations of associated labor themselves, even if it were several times greater. The successfulness of investment in large irrigation and drainage projects, transportation projects, processing projects or research projects, based both on our own and world experience, is achieved only when capital is committed from stronger public sources (budgets, loans and the like), above all as a means of concentrating and channeling the accumulation.

However, the present situation in the agricultural sector, and above all agricultural policy are characterized by the fact that the mechanisms and prerogatives of policy do not furnish the attributes of supplementation or adjustment, do not provide the means for channeling accumulation, but perform the role of almost exclusive methods of determining the size and sources of finance for development in the agricultural sector. And that not only as far as the infrastructure is concerned, but also with respect to financing in the domain of technology and production of agricultural organizations themselves. Thus it could happen that the question of "necessary" investments be reduced to an agreement among the republics, and the problem of their "insufficiency" to the nonfulfillment of the obligations which the republics and provinces assumed in that respect under the social compact (Green Plan), not to mention the accumulation of organizations of associated labor, that is, the question of the conditions for its formation! Thus it is still true that a conclusion is drawn concerning investments in the socialized sector of agriculture solely on the basis of what is contained in Table 1.

Table 1. Investments in the Socialized Sector of Agriculture, 1981-1983  
(current prices, millions of dinars)

<u>Socialist Republics and Socialist Autonomous Provinces</u>	<u>Planned Volume, 1981-1985</u>	<u>Actual, 1981-1983</u>
Bosnia-Hercegovina	17,000	10,888.2
Montenegro	3,099	2,004.7
Croatia	26,330	30,336.8
Macedonia	15,300	4,900.9
Slovenia	17,600	9,830.4
Serbia	75,522	46,802.8
Serbia proper	33,000	16,021.0
Kosovo	14,822	3,866.1
Vojvodina	27,700	26,915.7
Yugoslavia as a whole	154,851	104,763.7

To this we might also add that according to data of the Federal Committee for Agriculture, the capital of the organizations themselves represents 47.4 percent of total capital investment, pooled capital 5.7 percent, credits 45.3 percent, and outright grants 1.6 percent. As for purposes, we know only that investments in cropping and livestock raising represent about 82 percent, investments in fruitgrowing and grapegrowing about 15 percent, and about 3 percent of this capital has been invested in fishing.



## The Unknown Peasants

Still far less light has been cast on the manner, the pace and the activities in which private and "mixed" farms are reproducing themselves. Following the logic of "concluding social compacts" concerning development of production, the field of vision does not extend beyond "socially organized production of private farmers," i.e., joint investment of the resources of the Green Plan through public organizations (cooperatives, combines and OOUR's [basic organization of associated labor] for cooperation) on the one hand and the capital of private producers on the other, on their own farms, but not their own independent or joint investments of several of them on their own farms. As is evident from Table 2, the Green Plan for the period 1981-1985 envisaged the investment of 33.5 billion dinars of social resources. But the Federal Bureau of Statistics follows total investments in the private sector of agriculture without giving separately those covered by the Green Plan, and it reports that in the first 2 years these investments amounted to 48.8 billion. We do not know, then, what part of that capital is from peasant farms' "own accumulation," and which comes from credit under the Green Plan or from other sources. Figures have only been reported to the effect that in the first 2 years of this period 20.3 percent of the total was invested in construction projects, 70.1 percent in equipment, and 9.6 percent in perennial plantations and foundation herds.

This is obviously quite the opposite of the idea of the "inability" or "lack of motivation" of private farms (taken as a whole) for reproduction at a higher level of equipment and output, and that even as this is examined in terms of imaginary statistical averages. That is, it turns out not only that this "motivation" does exist, but even that it is experiencing a strong growth, and is thus displaying itself in investment on the farms. If categories of private farms are distinguished with respect to the size and structure of production, there is no doubt that greater strength would only be given to this conclusion.

Table 2. Investments on Private Farms

<u>Socialist Republics and Socialist Autonomous Provinces</u>	<u>Green Plan, 1981-1985 (1980 prices)</u>	<u>Actual Invest- ments, 1981, 1982 (current prices)</u>
Bosnia-Herzegovina	4,650	5,141
Montenegro	1,200	211
Croatia	1,100	13,449
Macedonia	1,300	2,804
Slovenia	6,540	7,095
Serbia	18,750	20,123
Serbia proper	9,750	13,013
Kosovo	6,000	5,836
Vojvodina	3,000	1,274
Yugoslavia as a whole	33,540	48,823

## Economics as an Incentive

In "Agrozajednica" and in the individual organizations of associated labor whose year-end statements were encompassed by its "Analysis of Operating Results in the Agroindustrial Complex in 1983" they obviously still have to examine more thoroughly the causes of the extreme differences in the rate of accumulation from organization to organization--from a rate exceeding 9 percent to less than 2 percent (where the losses are sixfold greater than the net accumulation). However, the very observation that "the structure of activity is decisive" in this regard is also indicative. The analysts note that "the presence of new sugar mills or slaughterhouses, for example, pull that rate downward."

Although these conclusions are still in the realm of indications, it can be confidently asserted that the operating results and also the rate of accumulation of organizations of associated labor, in spite of the linear nature of credit policy and the performance of investments under the Green Plan, as well as the investment activity of agricultural organizations are most closely correlated with precisely that "structure." That is, just as in the case of sugar mills and slaughterhouses, organizations of associated labor are naturally less inclined to invest their own capital (if they have it) as well as go into debt, even under the preferential terms and conditions of the Green Plan, to invest in activities which aside from putting them deeper in debt promise only increased "social control" in the earning of income (because sales prices are prescribed or the market is restricted) and their persistence at the present level of economy, productivity and distribution of income. Greater motivation is by contrast displayed by many of them in activities in which prices and the market are not subject to strict limitation such as imposed by opstina or regional policies concerning supply of the population.

It can be concluded without hesitation that this is also the basis of the production and indeed even investment orientation of private farms in recent years and that their growing investment potential itself is the fruit of that kind of orientation. For categories of private farms which are oriented toward production for the market, there obviously is no greater "incentive" than economics, although attention is not yet being paid to this phenomenon along with the others.

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